



# **2012/13 – 2014/15 BUDGET**

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## **PART 1 – ANNUAL BUDGET**

### **1.1 EXECUTIVE MAYOR’S REPORT**

The Nelson Mandela Bay Municipality presents the reviewed Integrated Development Plan (IDP) for 2012-2017: the institution’s key strategic planning tool, which is reviewed on an annual basis. This IDP presents the communities of Nelson Mandela Bay with bold initiatives, strategies and programmes to give them access to quality basic services.

Public participation and engagement is the foundation on which the IDP is based and, again, this IDP is the outcome of a series of public IDP and Budget meetings and the Outreach Programme visits of the political leadership to the communities of Nelson Mandela Bay. During these comprehensive Outreach Programmes, the political leadership talked and listened to residents and community representatives to identify their priorities and needs, which were subsequently integrated into the IDP and Budget.

The task now ahead is the full implementation of the IDP and Budget. If we fail in this, we will be failing our people. Complementary to the IDP and Budget is the Municipality’s Turnaround Strategy that will change the face of the Municipality and Nelson Mandela Bay. The Turnaround Strategy is premised on and reviewed by way of constant assessments of institutional performance gaps and developing and implementing interventions to ensure a continuous improvement in governance, service delivery and accountability, while promoting a more efficient and motivated workforce, and socio-economic transformation.

The successful implementation of the IDP and Budget can be achieved only through a partnership between the Municipality and the other spheres of government to create a single window of co-ordination as reflected in Outcome 9. This should be complemented by partnerships with local communities and key stakeholders.

The implementation of sound financial management practices are considered critical in ensuring the ongoing financial sustainability of the Municipality and the delivery of municipal services on a financially sustainable basis.

***Together, we can do more!***

**CLLR ZANOXOLO WAYILE  
EXECUTIVE MAYOR**

## 1.2 **COUNCIL RESOLUTIONS**

(a) The Executive Mayor recommends that the Council resolves that:

1. The annual budget of the Nelson Mandela Bay Municipality for the financial year 2012/13 and the indicative allocations for the projected outer years 2013/14 and 2014/15; and the multi-year and single year capital appropriations be approved for the purpose of complying with section 16(2) of the Municipal Finance Management Act (MFMA) No. 56 of 2003, as set-out in the following tables:

- 1.1 Budgeted Financial Performance (revenue and expenditure by standard classification); [Page 25]
- 1.2 Budgeted Financial Performance (revenue and expenditure by municipal vote); [Page 26]
- 1.3 Budgeted Financial Performance (revenue by source and expenditure by type); [Page 27]
- 1.4 and Multi-year and single year capital appropriations by municipal vote and standard classification and associated funding by source. [Page 29]

2. The budgeted financial position, budgeted cash flows, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets be noted as set-out in the following tables:

- 2.1 Budgeted Financial Position; [Page 31]
- 2.2 Budgeted Cash Flows; [Page 33]
- 2.3 Cash backed reserves and accumulated surplus reconciliation; [Page 34]
- 2.4 Asset management; [Page 35]
- 2.5 Basic service delivery measurement. [Page 38]

3. The consolidated budget that includes the financial impact of the municipal entity (Mandela Bay Development Agency) be noted.

4. The revised Integrated Development Plan (IDP) be approved as reflected elsewhere in the agenda.

5. Tariffs be increased as follows with effect from 1 July 2012:

Property rates	-	13%
Water	-	13%
Sanitation	-	13%
Refuse	-	13%
Electricity	-	11.03% (on average)

6. Indicative tariffs for 2013/14 and 2014/15 be increased as follows:

	<u>2013/14</u>	<u>2014/15</u>
Property rates	13%	13%
Water	13%	13%
Sanitation	13%	13%
Refuse	13%	13%
Electricity (on average)	11.03%	11.03%

7. The Acting Municipal Manager, in conjunction with the relevant Executive Directors report on their respective project plans, including the capacity to implement the draft 2012/13 to 2014/15

Capital Budget and Programme, so as to ensure the achievement of a minimum spending level of 95%.

8. The Acting Municipal Manager obtain written confirmation from the Provincial Government as to the transfers to be allocated for housing, transportation and library services for the 2012/13 to 2014/15 financial years, and that the possibility of a Metro delegation engaging the Provincial Government in this regard be considered.

### **1.3 EXECUTIVE SUMMARY**

The key service delivery priorities, as reflected in the IDP, and the need to maintain the Municipality's financial sustainability, informed the development of the Budget.

Specific revenue collection strategies are being implemented by the Municipality, such as the debt relief programme, in order to improve the collection of outstanding consumer debt.

National Treasury's MFMA Circulars No. 48, 51, 54, 55 and 58 were used to guide the compilation of the 2012/13 MTREF.

The Municipality faced the following significant challenges during the compilation of the 2012/13 MTREF:

- Reprioritisation of capital projects and operating expenditure within the revised financial affordability limits of the Budget, taking the cash position into account;
- Maintaining revenue collection rates at the targeted levels;
- Uncertainty as to the final negotiated salary increases for municipal employees, as the Salary and Wage Collective Agreement for the 2012/13 to 2014/15 financial years has not yet been concluded;
- Increased costs associated with bulk electricity and water, placing upward pressure on tariff increases to consumers. Continued high tariff increases may soon render municipal services financially unaffordable;
- Depleted Capital Replacement Reserve, impacting on the Municipality's ability to fund capital expenditure from internal sources;
- Allocation of the required operating budget provision for newly created infrastructure and facilities, with a consequential impact on rates and tariff increases.

The following budget principles and guidelines directly informed the compilation of the 2012/13 MTREF:

- The priorities and targets in relation to the key strategic focus areas as determined in the IDP.
- The level of property rates and tariff increases to take into account the need to address maintenance and infrastructural backlogs, including the expansion of services.
- The level of property rates and tariff increases to ensure the delivery of services on a financially sustainable basis.
- An assessment of the relative human resources capacity to implement the Budget.
- No budget allocation has been made to programmes and projects, unless the respective programme and project plans have been submitted by the relevant Executive Directors.
- The need to enhance the municipality's revenue base.
- No loan funding is available to support the Capital Budget, in view of financial affordability considerations.
- In accordance with Section 19 of the Municipal Finance Management Act, the affected Executive Directors to submit comprehensive reports in relation to new projects, inter alia, dealing with the total project costs, funding sources, future operating budget implications and associated tariff implications, before Council finally approves the implementation of any new project.

In view of the aforementioned, the following table represents a consolidated overview of the proposed 2012/13 Medium-term Revenue and Expenditure Framework:

**Table 1 (Consolidated Overview of the 2012/13 MTREF)**

R thousands	Adjustments Budget 2011/12	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Total Operating Revenue	6,553,464	7,281,273	7,652,682	8,524,016
Total Operating Expenditure	6,935,370	7,601,331	7,774,095	8,452,040
Surplus/(Deficit)	(381,907)	(320,058)	(121,413)	71,976
Total Capital Expenditure	1,234,602	1,803,661	1,675,026	1,797,349

Total operating revenue has increased by 11,1% or R728 million for the 2012/13 financial year, compared to the 2011/12 Adjustments Budget. For the two outer years, operational revenue increases by 5,1% and 11,4% respectively, resulting in a total revenue growth of R1,9 billion over the MTREF, when compared to the 2011/12 financial year.

Total operating expenditure for the 2012/13 financial year amounts to R7,6 billion, resulting in a budgeted deficit of R320 million. Compared to the 2011/12 Adjustments Budget, operational expenditure increased by 9,6% in the 2012/13 budget; and by 2,3% and 8,7% for each of the respective outer years of the MTREF. The operating deficit for year two reduces to R121 million, with year 3 reflecting an operating surplus of R72 million.

The major operating expenditure items for 2012/13 are employee costs (24%), bulk electricity and water purchases (30%), general expenses (12%), grants and subsidies paid (5%), repairs and maintenance (6%) and depreciation (10%).

Funding for the 2012/13 Operating Budget is obtained from various sources, the major sources being service charges such as electricity, water, sanitation and refuse collection and disposal (54%), property rates (15%), grants and subsidies received from National and Provincial Governments (19%).

In order to support the 2012/13 Operating Budget, the following increase in rates and service charges are being proposed, with effect from 1 July 2012:

Property rates	-	13%
Water	-	13%
Sanitation	-	13%
Refuse	-	13%
Electricity	-	11,03% (on average)

The capital budget of R1,8 billion for 2012/13 is 46% more than the 2011/12 Adjustment Budget. The increase is mainly attributable to projected underspending on certain grant funded projects in the 2011/12 Adjustments Budget, with the expenditure now being provided for in the 2012/13 Capital Budget. The Capital Budget reduces to R1,7 billion in the 2013/14 financial year and then increases to R1,8 billion in the 2014/15 financial year. The Capital Budget over the MTREF will be solely funded from government grants and subsidies, as the Municipality has reached its prudential borrowing limits, whilst no internal funding is available.



## 1.4 OPERATING REVENUE FRAMEWORK

The continued provision and expansion of services is largely dependent on the Municipality generating the required revenues. Efficient and effective revenue management is thus critical in ensuring the ongoing financial sustainability of the Municipality. It is worth noting that, in accordance with the MFMA, expenditure has to be limited to the realistically anticipated revenues.

The Municipality's revenue management strategy includes the following key components:

- National Treasury's guidelines in this regard;
- Growth in the revenue base;
- Efficient revenue management, targeting a 95,% annual collection rate for property rates and service charges, after discounting Assistance to the Poor (ATTP) subsidies;
- Electricity bulk tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Water bulk tariff increases as approved by the Department of Water Affairs (DWA);
- Ensuring fully cost reflective tariffs for trading services;
- The Property Rates Policy;
- The ATTP Policy and provision of free basic services;
- Tariff Policies;
- The level of property rates and tariff increases must ensure financially sustainable services delivery.
- The level of property rates and tariff increases to provide for the maintenance and replacement of infrastructure, including the expansion of services.

The following table is a summary of the 2012/13 MTREF (classified by main revenue source):

**Table 2 (Summary of main revenue sources)**

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Revenue By Source</b>									
Property rates	659,777	756,499	838,855	961,565	961,565	961,565	1,074,628	1,214,336	1,372,205
Service charges - electricity revenue	1,502,322	1,807,751	2,185,508	2,753,364	2,718,364	2,718,364	3,028,384	3,393,651	3,817,477
Service charges - water revenue	344,730	407,918	569,883	465,383	402,068	402,068	455,547	514,768	586,836
Service charges - sanitation revenue	226,507	228,020	246,692	295,170	283,094	283,094	312,033	352,598	401,961
Service charges - refuse revenue	96,266	105,486	120,675	134,861	136,727	136,727	154,890	175,117	199,735
Rental of facilities and equipment	13,336	15,545	17,641	18,791	18,431	18,431	19,820	20,992	22,235
Interest earned - external investments	166,128	61,760	16,447	21,257	28,000	28,000	25,528	27,059	28,683
Interest earned - outstanding debtors	92,041	82,762	113,347	78,993	81,993	81,993	86,913	92,128	97,655
Fines	27,533	23,415	23,736	24,998	24,119	24,119	32,328	34,268	36,324
Licences and permits	8,552	8,242	8,153	7,399	7,399	7,399	9,014	9,555	10,129
Agency services	1,152	1,220	1,611	1,402	1,402	1,402	1,400	1,484	1,573
Transfers recognised - operational	1,021,115	1,454,743	1,363,358	1,384,487	1,234,094	1,234,094	1,404,746	1,073,480	1,163,408
Other revenue	186,624	265,161	357,912	207,738	656,207	656,207	676,041	743,247	785,794
Gains on disposal of PPE	6		1,698						

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Total Revenue (excluding capital transfers and contributions)	4,346,087	5,218,523	5,865,515	6,355,409	6,553,464	6,553,464	7,281,273	7,652,682	8,524,016

**Table 3 (Mix of main revenue sources)**

Description	Current Year 2011/12		2012/13 Medium Term Revenue & Expenditure Framework					
R thousand	Adjusted Budget	%	Budget Year 2012/13	%	Budget Year +1 2013/14	%	Budget Year +2 2014/15	%
<b>Revenue By Source</b>								
Property rates	961,565	14.7%	1,074,628	14.8%	1,214,336	15.9%	1,372,205	16.1%
Service charges - electricity revenue	2,718,364	41.5%	3,028,384	41.6%	3,393,651	44.3%	3,817,477	44.8%
Service charges - water revenue	402,068	6.1%	455,547	6.3%	514,768	6.7%	586,836	6.9%
Service charges - sanitation revenue	283,094	4.3%	312,033	4.3%	352,598	4.6%	401,961	4.7%
Service charges - refuse revenue	136,727	2.1%	154,890	2.1%	175,117	2.3%	199,735	2.3%
Rental of facilities and equipment	18,431	0.3%	19,820	0.3%	20,992	0.3%	22,235	0.3%
Interest earned - external investments	28,000	0.4%	25,528	0.4%	27,059	0.4%	28,683	0.3%
Interest earned - outstanding debtors	81,993	1.3%	86,913	1.2%	92,128	1.2%	97,655	1.1%
Fines	24,119	0.4%	32,328	0.4%	34,268	0.4%	36,324	0.4%
Licences and permits	7,399	0.1%	9,014	0.1%	9,555	0.1%	10,129	0.1%
Agency services	1,402	0.0%	1,400	0.0%	1,484	0.0%	1,573	0.0%
Transfers recognised - operational	1,234,094	18.8%	1,404,746	19.3%	1,073,480	14.0%	1,163,408	13.6%
Other revenue	656,207	10.0%	676,041	9.3%	743,247	9.7%	785,794	9.2%
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>6,553,464</b>	<b>100.0%</b>	<b>7,281,273</b>	<b>100.0%</b>	<b>7,652,682</b>	<b>100.0%</b>	<b>8,524,016</b>	<b>100.0%</b>
<b>Total Revenue from Rates and Service Charges</b>	<b>4,501,818</b>	<b>68.7%</b>	<b>5,025,482</b>	<b>69.0%</b>	<b>5,650,469</b>	<b>73.8%</b>	<b>6,378,214</b>	<b>74.8%</b>

In the 2011/12 financial year, rates and service charges amounted to R4,5 billion or 68,7%. This increases to R5,0 billion, R5,7 billion and R6,4 billion in the 2012/13, 2013/14 and 2014/15 financial years, respectively. A significant trend is the increase in the total percentage of revenue generated from rates and service charges, which increases from 69% in 2012/13 to 74,8% in 2014/15. This growth is mainly attributable to increased electricity revenue, as a result of significant increases in the Eskom bulk electricity tariffs.

Operating grants and transfers (second largest revenue source) amounted to R1,4 billion in the 2012/13 financial year and reduces to R1,2 billion in 2014/15. The year-on-year growth for the 2012/13 financial year amounts to 13,8%, then reduces by 23,6% in 2013/14 and increases by 8,4% in 2014/15.

Property rates represent the third largest revenue source, amounting to 14,8% or R1,08 billion in 2012/13 and increasing to R1,4 billion in 2014/15. The fourth largest revenue source is 'other revenue' which consists of items such as building plan fees and disconnection and re-connection fees. Directorates are required to review these charges on an annual basis to ensure that they are cost reflective and market related, where applicable.

The following table provides a breakdown of the various operating grants and subsidies allocated to the Municipality over the medium term:

**Table 4 (Operating Transfers and Grant Receipts)**

Description	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand						
RECEIPTS:						
<u>Operating Transfers and Grants</u>						
National Government:	1,270,578	828,265	828,265	743,672	1,062,088	1,151,651
Local Government Equitable Share	656,653	656,653	656,653	719,226	781,838	841,201
Electricity Demand Side Management	20,000	20,000	20,000			
Finance Management	1,250	1,250	1,250	1,250	1,250	1,250
Water Services Operating Subsidy		600	600			
Public Transport Infrastructure & Systems Grant		140,000	140,000		270,000	300,000
Fuel levy	419,132	–		–		
Other	173,543	9,762	9,762	23,196	9,000	9,200
Provincial Government:	100,728	447,481	447,481	405,747	6,092	6,457
Health subsidy	96,228	91,183	91,183			
Housing		350,000	350,000	400,000		
Sports and recreation	4,500					
Other		6,298	6,298	5,747	6,092	6,457
Other grant providers:	–	2,081	2,081	5,300	5,300	5,300
Other		2,081	2,081	5,300	5,300	5,300
Total Operating Transfers and Grants	1,371,306	1,277,827	1,277,827	1,154,719	1,073,480	1,163,408

The Municipality is faced with the challenge of providing services with its limited financial resources. Against the aforementioned background, the Municipality has undertaken the tariff determination process relating to property rates and service charges as follows.

#### 1.4.1 Property Rates

Property rates fund the costs associated with the provision of general services, such as recreational, library and roads and stormwater services.

The following provisions in the Draft Property Rates Policy are highlighted:

- The first R15,000 of the market value of a property used for residential purposes is excluded from the rateable value (Section 17(h) of the MPRA).
- 100% rebate will be granted to registered indigents in terms of the Indigent Policy.
- Pensioners, physically and mentally disabled property owners of rateable property may on submission of an application be granted a rebate. In this regard the following stipulations are relevant to the applicant:
  - (a) must be a natural person;
  - (b) be the owner of the property which is categorised as residential;
  - (c) occupy the property as his or her normal residence or where the owner is unable to occupy the property due to no fault of his/her own, the spouse or minor children may satisfy the occupancy requirement;
  - (d) produce a bar-coded identity document;
  - (e) - *pensioners*: be at least 60 years of age on 1 July of the financial year concerned; or if the owner turns 60 during the year the rebate will be granted on a pro rata basis from the date on which the applicant turned 60;  
- *disabled*: be in receipt of disability grant / pension and submit proof and nature of disability e.g. letter from doctor with application.
  - (f) be in receipt of a total gross annual income from all sources, excluding medical aid

contributions, child support / grant but including the income of the spouse of the owner and all persons normally residing on that property, not exceeding R87,620 per annum (R7,302 per month); submit pension statements, previous 3 months (or the number of months determined necessary by the Chief Financial Officer) bank statements from all bank and investment accounts of owner and spouse, and proof of gross salary of any other persons living on the property (not just rental received). All documents provided must clearly state who it is for – documents which do not reflect person's name or ID No. will not be considered;

- (g) not be in receipt of an indigent subsidy;
  - (h) provide a certified affidavit declaring any assistance from any other sources. Assistance received from family members not residing on property, will not however be included in the calculation of total household income;
  - (i) provide a certified affidavit to explain any once-off monies received e.g. gifts, donations, etc; and
  - (j) ensure that his/her accounts are not in arrears (or arrangements made to pay all outstanding amounts) before applying for the rebate and continue to pay the rates account in full until rebate is granted as no interest will be reversed;
  - (k) a usufructuary will be regarded as the owner;
  - (l) the criteria of a natural person may be waived at the sole discretion of the municipality to allow for a property owned by a trust where the total number of beneficiaries meets all of the other requirements of this policy; and provided further that the gross monthly income of all persons residing on that property be added to the gross monthly income of the beneficiaries staying on that property;
  - (m) owners qualify for only one rebate per year, if financial circumstances change they can only apply for future years;
- Sporting organisations, the sole purpose of which is to use the property owned/leased by them for sporting purposes, whether for gain or not, may qualify for a rebate, with amateur bodies being granted 100% and professional bodies 40%. Any profits earned must be invested in the betterment of the organisation and not be for private gain. Audited financial statement must be provided, if however the sporting body does not have audited financial statement reasons therefore must be provided on the clubs official letterhead.
  - 75% rebate may be granted to the owners of Game Parks. In this regard the following stipulations are relevant:
    - (a) the property must be used predominantly as a game park with the sole purpose of viewing of animals by the general public at an affordable price and for encouraging tourists to the area;
    - (b) the usage of the property must be in accordance with the zoning scheme of the area;
    - (c) the owner must be registered with the South African Revenue Service and provide proof thereof with the application. If proof of registration with SARS cannot be produced due to recent ownership change, upon application, a municipal official, authorised by the Municipal Manager shall issue a certificate of compliance to the owner, after an inspection of the property has been conducted and the municipal official is satisfied that such land is used predominately as a game park;
    - (d) the owner must run educational programs for schools and not for gain institutions at a nominal fee. Proof of such activities must be submitted with the application;
    - (e) the land owner must prove that he/she has complied with the National Veld and Forest Fire Act (Act 101 of 1998) and legislation governing the control of alien invasive species; and
    - (f) property used for hunting of game shall not qualify for the rebate.
  - If the usage of a property changes during a financial year, the rebate applicable will be reduced *pro rata* for the balance of the financial year.
  - All accounts of the applicant must be up to date or arrangements must be made to pay any outstanding balances before any rebate will be granted. The applicant must continue to pay the rates account in full until the rebate is granted as no interest will be reversed.

A property rates increase of 13% is proposed as from 1 July 2012.

#### **1.4.2 Sale of Water and Impact of Tariff Increases**

In accordance with National Treasury's MFMA Circulars, no. 51, 55 and 58, Municipalities are encouraged to review the level and structure of their water tariffs to ensure:

- Fully cost reflective water tariffs – tariffs should include the costs associated with maintenance and renewal of purification plants, water networks and water reticulation expansion;
- Water tariffs are structured to protect basic levels of service; and
- Water tariffs are designed to encourage efficient and sustainable consumption.

National Treasury has also urged municipalities to ensure that water tariffs are fully cost reflective by 2014. In this regard a phased-in approach has been proposed to ensure that tariffs are fully cost reflective by 2014.

A tariff increase of 13% is proposed as from 1 July 2012. The proposed tariff increase is mainly influenced by the following:

- The cost of bulk water purchases increased by 10.0%;
- Repairs and maintenance of water infrastructure increased by 6,7%;
- Costs of servicing existing external borrowing to fund water infrastructure; and
- Providing for debt impairment.

The water tariff structure is designed in such a manner that higher levels of consumption are progressively charged at a higher rate.

#### **1.4.3 Sale of Electricity and Impact of Tariff Increases**

NERSA has determined that the Eskom bulk electricity tariff to municipalities would increase by 13.50% as from 1 July 2012. Considering the Eskom tariff increase, the Municipality's consumer tariffs will be increased by 11,03% on average to offset the additional electricity bulk purchase costs as from 1 July 2012, in line with the NERSA tariff guidelines.

On 24 February 2010, NERSA approved the implementation of Inclining Block tariffs (IBT). On 25 November 2010, NERSA issued its '*Guideline on municipal price increase for 2011/12*', which required all municipalities to implement the IBT specified by NERSA for all domestic / residential consumers as from 1 July 2011. This stepped tariff structure will result in consumers with higher consumption levels paying progressively more for electricity.

National Treasury noted the concerns raised by SALGA and its member municipalities, together with Eskom, regarding the implementation of the IBT as proposed by NERSA. On 7 March 2011, NERSA agreed with the different stakeholders that there was a need for further research on the IBT and that NERSA would engage extensively with stakeholders to develop a revised IBT proposal in preparation for the 2012/13 municipal budgets.

At the meeting of 7 March 2011, it was further agreed that municipalities should regard NERSA's current proposals on IBT as a guideline, and that when a municipality applies to NERSA for the approval of its electricity tariffs (in line with the normal process), it should indicate to what extent it is able to implement an IBT structure. It was further agreed that NERSA would not enforce the current IBT proposal, but that municipalities should nevertheless start restructuring their electricity tariffs to accommodate an IBT structure, appropriate to the municipality's circumstances.

The Municipality accordingly advised NERSA that it would only be able to implement IBT as from the 2012/13 financial year. In this regard the Acting Executive Director: Electricity and Energy will submit a comprehensive report on the proposed IBT tariffs and the required public participation processes.

The proposed tariff increases are mainly influenced by the following:

- The cost of bulk electricity purchases increased by 15,8%;
- Repairs and maintenance of electricity infrastructure increased by 16.4%;
- Costs of servicing existing external borrowing to fund electricity infrastructure;
- Providing for debt impairment.

Upon consideration of the proposed electricity tariff increases by Council, it will be submitted to NERSA for approval.

#### **1.4.4 Sanitation and Impact of Tariff Increases**

In accordance with National Treasury's MFMA Circulars, no. 51, 55 and 58, Municipalities are encouraged to review the level and structure of their sanitation tariffs to ensure:

- Fully cost reflective sanitation tariffs – tariffs should include the costs associated with maintenance and renewal of treatment plants, sanitation networks and sanitation infrastructure expansion;
- Sanitation tariffs are structured to protect basic levels of service; and
- Sanitation tariffs are designed to encourage efficient and sustainable consumption.

National Treasury has also urged municipalities to ensure that sanitation tariffs are fully cost reflective by 2014. In this regard a phased-in approach has been proposed to ensure that tariffs are fully cost reflective by 2014.

Sanitation charges are determined based on the volume of water consumed, which is appropriately reduced by the percentage of water discharged into the sewer system.

A tariff increase of 13% is proposed as from 1 July 2012. The proposed tariff increase is mainly influenced by the following:

- Repairs and maintenance of sanitation infrastructure increased by 12.8%;
- Costs of servicing existing external borrowing to fund sanitation infrastructure;
- Providing for debt impairment.

#### **1.4.5 Refuse Collection and Disposal and Impact of Tariff Increases**

The refuse collection and disposal service is currently operating on a break even basis. A tariff increase of 13% is proposed for the refuse collection and disposal service, as from 1 July 2012.

The proposed tariff increase is mainly influenced by the following:

- Costs of servicing existing external borrowing to fund refuse infrastructure;
- Providing for debt impairment.

National Treasury has also urged municipalities to ensure that refuse tariffs are fully cost reflective by 2015.

### 1.4.6 Overall impact of tariff increases on households

The following table reflects the anticipated impact of the proposed tariff increases on a middle income and affordable range household, as well as an indigent household receiving free basic services.

It is to be noted that the overall impact of the proposed tariff increases on household bills has been maintained to between 12% and 12.5%, with the increase for indigent households being 12.5%. The increase in household bills is largely influenced by the electricity tariff increase.

**Table 5 (Table SA14 – Household bills)**

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework			
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Rand/cent							% incr.			
<u>Monthly Account for Household - 'Middle Income Range'</u>										
Rates and services charges:										
Property rates	453.61	492.16	541.38	603.64	603.64	603.64	13.0%	682.11	770.79	878.70
Electricity: Basic levy										
Electricity: Consumption	532.19	598.72	748.40	913.04	913.04	913.04	11.0%	1,013.75	1,125.56	1,249.71
Water: Basic levy	15.96	16.92	18.78	20.94	20.94	20.94	13.0%	23.66	26.74	30.48
Water: Consumption	150.92	159.98	177.58	198.00	198.00	198.00	13.0%	223.74	252.83	288.22
Sanitation	109.70	116.29	126.75	141.33	141.33	141.33	13.0%	159.70	180.46	205.73
Refuse removal	41.55	44.05	48.45	54.02	54.02	54.02	13.0%	61.04	68.98	78.64
Other										
sub-total	1,303.93	1,428.12	1,661.34	1,930.97	1,930.97	1,930.97	12.1%	2,164.01	2,425.36	2,731.48
VAT on Services	119.04	131.03	156.79	185.83	185.83	185.83		207.47	231.64	259.39
Total large household bill:	1,422.97	1,559.15	1,818.13	2,116.80	2,116.80	2,116.80	12.0%	2,371.47	2,657.00	2,990.87
% increase/-decrease		9.6%	16.6%	16.4%	-	-		12.0%	12.0%	12.6%
<u>Monthly Account for Household - 'Affordable Range'</u>										
Rates and services charges:										
Property rates	117.53	127.52	140.27	156.40	156.40	156.40	13.0%	176.73	199.71	227.67
Electricity: Basic levy										
Electricity: Consumption	265.03	298.16	372.70	454.69	454.69	454.69	11.0%	504.84	560.53	622.35
Water: Basic levy	15.96	16.92	18.78	20.94	20.94	20.94	13.0%	23.66	26.74	30.48
Water: Consumption	125.77	133.32	147.99	165.01	165.01	165.01	13.0%	186.46	210.70	240.20
Sanitation	91.42	96.91	105.63	117.78	117.78	117.78	13.0%	133.09	150.39	171.45
Refuse removal	41.55	44.05	48.45	54.02	54.02	54.02	13.0%	61.04	68.98	78.64
Other										
sub-total	657.26	716.88	833.82	968.84	968.84	968.84	12.1%	1,085.83	1,217.04	1,370.78
VAT on Services	75.56	82.51	97.10	113.74	113.74	113.74		127.27	142.43	160.04
Total small household bill:	732.82	799.39	930.82	1,082.58	1,082.58	1,082.58	12.0%	1,213.11	1,359.47	1,530.82

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework			
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Rand/cent							% incr.			
% increase/-decrease		9.1%	16.5%	16.2%	–	–		12.1%	12.1%	12.6%

Monthly Account for Household - 'Indigent' Household receiving free basic services	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework			
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13 % incr.	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Rates and services charges:										
Property rates	10.32	11.20	12.32	13.74	13.74	13.74	13.0%	15.53	17.54	20.00
Electricity: Basic levy										
Electricity: Consumption	39.92	44.91	56.13	65.11	65.11	65.11	11.0%	72.29	80.27	89.12
Water: Basic levy	15.96	16.92	18.78	20.94	20.94	20.94	13.0%	23.66	26.74	30.48
Water: Consumption	40.28	42.70	47.40	52.85	52.85	52.85	13.0%	59.72	67.48	76.93
Sanitation	40.26	42.68	46.52	51.87	51.87	51.87	13.0%	58.61	66.23	75.51
Refuse removal	41.55	44.05	48.45	54.02	54.02	54.02	13.0%	61.04	68.98	78.64
sub-total	188.29	202.46	229.60	258.53	258.53	258.53	12.5%	290.86	327.24	370.67
VAT on Services	24.92	26.78	30.42	34.27	34.27	34.27		38.55	43.36	49.09
Total small household bill:	213.21	229.24	260.02	292.80	292.80	292.80	12.5%	329.40	370.60	419.77
% increase/-decrease		7.5%	13.4%	12.6%	–	–		12.5%	12.5%	13.3%

The basis used for calculating the municipal accounts for the different categories of households is as follows:-

Description	Land (m <sup>2</sup> )	Improvements (m <sup>2</sup> )	Electricity (kwh)	Water (kl)
Household – Middle Income	1000m <sup>2</sup>	150m <sup>2</sup>	1000kwh	30kl
Household – Affordable Range	300m <sup>2</sup>	48m <sup>2</sup>	498kwh	25kl
Indigent Household receiving free services	300m <sup>2</sup>	48m <sup>2</sup>	75kwh	8kl

## 1.5 OPERATING EXPENDITURE FRAMEWORK

The Municipality's expenditure framework for the 2012/13 budget and MTREF is informed by the following:

- The funding of the budget over the medium-term is informed by the requirements of Section 18 and 19 of the MFMA;
- A balanced budget approach by limiting operating expenditure to the operating revenue;
- The asset renewal strategy and the repairs and maintenance plan;
- Strict adherence to the principle of “no budget allocations without a project implementation plan”.

The following table is a high level summary of the 2012/13 budget and MTREF (classified per main type of operating expenditure):



**Table 6 (Summary of operating expenditure by standard classification item)**

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Expenditure By Type</b>									
Employee related costs	1,280,871	1,624,444	1,887,362	1,859,569	1,849,569	1,849,569	1,844,834	1,982,421	2,162,609
Remuneration of councillors	41,255	44,886	45,053	51,084	51,084	51,084	54,583	60,041	66,645
Debt impairment	175,549	419,467	554,265	288,147	282,151	282,151	251,274	281,480	316,113
Depreciation & asset impairment	406,256	546,468	571,060	689,192	720,156	720,156	736,107	711,542	656,940
Finance charges	82,500	113,315	177,630	221,117	215,162	215,162	203,137	191,728	181,086
Bulk purchases	941,832	1,237,381	1,575,087	1,931,746	1,944,128	1,944,128	2,250,539	2,560,006	2,915,757
Other materials	381,616	408,104	415,638	458,472	458,404	458,404	498,534	537,139	579,164
Contracted services	93,202	147,765	144,271	269,675	194,661	194,661	423,603	469,234	507,980
Transfers and grants	265,764	364,571	307,556	417,961	370,961	370,961	413,253	461,752	519,521
Other expenditure	603,354	812,113	728,563	418,512	849,095	849,095	925,468	518,752	546,225
Loss on disposal of PPE	7,538	2,933	5,057			–			
<b>Total Expenditure</b>	<b>4,279,736</b>	<b>5,721,445</b>	<b>6,411,541</b>	<b>6,605,474</b>	<b>6,935,370</b>	<b>6,935,370</b>	<b>7,601,331</b>	<b>7,774,095</b>	<b>8,452,040</b>

The total operating expenditure increased by R666 million (9,6%) from R6,9 billion in 2011/12 to R7,6 billion in 2012/13. Below is a discussion of the main expenditure components.

### **Employee related costs**

The 2012/13 draft budget provides for annual increments, where applicable, and a general increase of 6%. As the budget only provides for an overall 6,5% increase, any increase negotiated in excess of the budget provision will place upward pressure on this component of the Municipality's Budget. A Salary and Wage Collective Agreement for the 2012/13 to 2014/15 financial years has not yet been concluded.

The total budget provision of R1,844 billion represents a decrease of 0,3% over the 2011/12 Adjustments budget. It is to be noted that the 2011/12 Adjustments Budget included an amount of R118,1 million for primary health care services, which has been provincialised (no provision has been made for the primary health care service in the 2012/13 to 2014/15 budget). Upon exclusion of the primary health care service, the 2012/13 Budget provision represents an effective 6,5% increase over the 2011/12 Adjustments Budget.

An amount of approximately R22 million has been provided to ensure the implementation of the new wage curve in the 2012/13 financial year, as agreed to by the South African Local Government Bargaining Council. This budget allocation covers the back pay, in accordance with the wage curves collective agreement. In order to curtail personnel costs, the rationalisation of the Municipality's organisational structure should be considered.

**Council's target for 2012/13 is to restrict personnel costs to 34% of total expenditure. Personnel costs in the 2012/13 Budget represent 24,3% of total expenditure.**

### **Remuneration of Councillors**

The remuneration of Councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in preparing the budget. As the budget provides for a 6,8% increase, Councillors' remuneration should be limited to the budget allocated for this purpose.

## Debt Impairment

The provision for debt impairment was determined based on a targeted annual collection rate of 95%, excluding ATTP subsidies. For the 2012/13 financial year this amounted to R251,3 million and increases to R316,1 million in 2014/15. While this expenditure represents a non-cash flow item, it is taken into account in determining the total costs associated with the rendering of municipal services and the realistically anticipated revenues.

## Depreciation and Asset Impairment

The provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. The budget amounts to R736,1 million for the 2012/13 financial and equates to 9,7 of the total operating expenditure.

## Finance Charges

Finance charges consist primarily of the repayment of interest on existing long-term borrowing (cost of capital). Finance charges constitute 2,7% (R203 million) of total operating expenditure for 2012/13 and reduces to R181 million in 2014/15. It is to be noted that no new borrowing will be raised.

## Bulk Electricity Purchases

Purchase of Power has increased from R1,879 billion in 2011/12 to R2,177 billion in 2012/13, an increase of 15,8%.

NERSA has approved a 13,5% increase in the Eskom bulk tariff for the 2012/13 financial year. The 2012/13 budget accordingly allows for a 15,8% increase for bulk power purchases from Eskom. It has been estimated, however, that energy consumption levels will not reflect any growth, due to the following:

- Significant increases in electricity prices;
- Consumer awareness of the need to conserve energy; and
- The implementation of energy conservation measures.

## Bulk Water Purchases

The bulk purchase of water increased by R6 680 820 (10%) from R66 808 130 in 2011/12 to R73 488 950 in 2012/13, as follows:

	2011/12	2012/13	%
DWAF	<b>63 631 710</b>	<b>69 994 880</b>	10
Water Resource Management charge	2 231 631	2 454 790	10
Consumptive charges (includes Return on Assets charge, Depreciation and Operation & Maintenance charges)	61 400 079	67 540 090	10
Gamtoos Irrigation Board	1 673 860	1 841 250	10
Sundays River Irrigation Board	1 502 560	1 652 820	10
<b>Total</b>	<b>66 808 130</b>	<b>73 488 950</b>	10

The total budget provision of R73.5 million is influenced by the declining water consumption patterns, in addition to a water tariff increase of approximately 16.59%.

## Other Materials

Other materials comprise, amongst others, the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. In line with the Municipality's repairs and maintenance plan, expenditure has been prioritised to ensure sustainability of the Municipality's infrastructure. The budget for 2012/13 amounts to R498,5 million and increases by 7,7% and 7,8% for the two outer years.

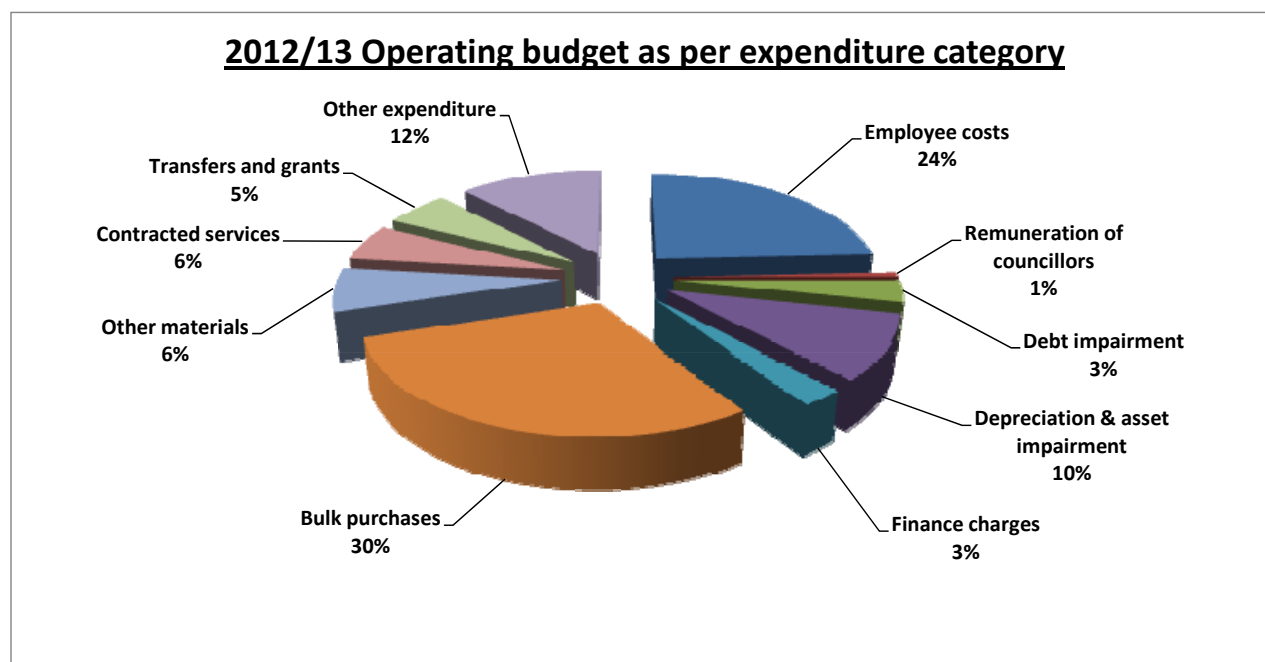
## Contracted Services

In the 2012/13 financial year, the budget provision amounts to R423,6 million. For the two outer years the increases amount to 10,8% and 8,3% respectively.

## Other Expenditure

Other expenditure comprises of various line items relating to the daily operations of the municipality. This expenditure has been identified as an area in which cost savings and efficiencies can be achieved. The expenditure increased by 9% for 2012/13 and then reduces by 43,9% for 2013/14. The reduction in expenditure is mainly attributable to the fact that the expenditure associated with Housing Top Structures has not been included in the budget pending written confirmation of the housing top structures funding by the Provincial Government. In the 2014/15 financial year the expenditure increases by 5,3%.

The graph below reflects the expenditure components of the budgeted statement of financial performance.



**Figure 1 Main operational expenditure categories for the 2011/12 financial year**

### 1.5.1 Priority relating to repairs and maintenance

In line with the Municipality's stated intention to preserve and maintain its existing infrastructure, the 2012/13 budget and MTREF provide for reasonable growth in the asset maintenance budget, as informed by the asset renewal strategy and repairs and maintenance plan of the Municipality.

During the compilation of the 2012/13 MTREF operational repairs and maintenance was identified as a strategic priority in view of the aging infrastructure and certain deferred maintenance. Repairs and

maintenance was accordingly increased by 8,8% in the 2012/13 financial year, from R458,4 million to R498,5 million. The growth for the two outer years amount to 7,7% and 7,8%, respectively. In relation to the total operating expenditure, repairs and maintenance constitutes 6,6%, 6,9% and 6,9% for the respective financial years of the MTREF.

The table below provides a breakdown of the repairs and maintenance in relation to asset class:

**Table 7 (Repairs and maintenance per asset class)**

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<u>Repairs and maintenance expenditure by Asset Class/Sub-class</u>									
<u>Infrastructure</u>	304,163	324,392	335,745	369,802	368,309	368,309	399,353	430,465	464,223
Infrastructure - Road transport	65,336	66,113	73,310	89,773	90,165	90,165	90,672	96,112	101,879
Infrastructure - Electricity	33,965	34,912	28,585	38,059	36,085	36,085	42,006	45,691	49,560
Infrastructure - Water	102,375	117,915	119,415	120,635	112,634	112,634	131,853	144,439	157,702
Infrastructure - Sanitation	100,392	103,325	111,701	116,606	124,696	124,696	129,312	138,336	148,790
Infrastructure - Other	2,095	2,127	2,735	4,729	4,729	4,729	5,510	5,887	6,291
<u>Community</u>	31,701	29,167	31,853	29,304	30,578	30,578	35,387	38,409	41,877
<u>Other assets</u>	44,776	54,545	48,040	59,366	59,517	59,517	63,794	68,265	73,064
Total Repairs and Maintenance Expenditure	381,616	408,104	415,638	458,472	458,404	458,404	498,534	537,139	579,164

For the 2012/13 financial year an amount of R399,4 million (80,1%) of total repairs and maintenance, will be spent on infrastructure assets.

### 1.5.2 Free Basic Services: Basic Social Services Package

The social package assists indigent households that have limited financial ability to pay for municipal services. In order to qualify for free services the households are required to register in terms of the Municipality's Assistance to the Poor Policy. Detail relating to free services, cost of free basic services, as well as basic service delivery measurement is contained in Table A10 (Basic Service Delivery Measurement).

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share allocation, received in terms of the annual Division of Revenue Act.

## 1.6 CAPITAL EXPENDITURE

The following table provides a breakdown of budgeted capital expenditure by vote:

**Table 8 (2012/13 Medium-term capital budget per vote)**

Description	Current Year 2011/12		2012/13 Medium Term Revenue & Expenditure Framework					
R thousand	Adjusted Budget	%	Budget Year 2012/13	%	Budget Year +1 2013/14	%	Budget Year +2 2014/15	%
<b>Capital expenditure - Municipal Vote</b>								
Budget and Treasury	27,865	2.26%	10,480	0.58%	10,300	0.61%	10,350	0.58%
Public Health	41,706	3.38%	20,000	1.11%	20,000	1.19%	20,000	1.11%
Housing Land	102,000	8.26%	165,868	9.20%	185,336	11.06%	186,928	10.40%
Economic Development and Recreational Services	61,318	4.97%	17,900	0.99%	13,500	0.81%	30,000	1.67%
Corporate Administration	36,339	2.94%	23,200	1.29%	22,000	1.31%	22,600	1.26%
Rate and General Engineers	299,162	24.23%	693,000	38.42%	466,217	27.83%	578,184	32.17%
Water Service	410,000	33.21%	399,906	22.17%	439,850	26.26%	295,950	16.47%
Sanitation	118,723	9.62%	288,600	16.00%	345,800	20.64%	480,900	26.76%
Electricity and Energy	86,000	6.97%	121,807	6.75%	154,623	9.23%	155,937	8.68%
Executive and Council	12,000	0.97%	11,200	0.62%	10,000	0.60%	11,500	0.64%
Safety and Security	4,809	0.39%	5,700	0.32%	5,000	0.30%	5,000	0.28%
Strategic Programmes Directorate	34,680	2.81%	46,000	2.55%	2,400	0.14%	–	0.00%
<b>Total Capital Expenditure</b>	<b>1,234,602</b>	<b>100.00%</b>	<b>1,803,661</b>	<b>100.00%</b>	<b>1,675,026</b>	<b>100.00%</b>	<b>1,797,349</b>	<b>100.00%</b>

Of the total amount of R1,8 billion for 2012/13, an amount of R1,67 billion has been appropriated for the development of infrastructure, which represents 92,5% of the total capital budget. In the outer years this amount totals R1,59 billion (95,0%) and R1,70 billion (94,5%) respectively for each of the financial years. Transport and Roads Services receives the highest allocation of R693 million in 2012/13, which equates to 41,5% followed by Water at R400 million (23,9%), Housing Reticulation Services at R165,9 million (9,9%), Sanitation at R288,6 million (17,2%) and Electricity Services at R121,8 million (7,2%).

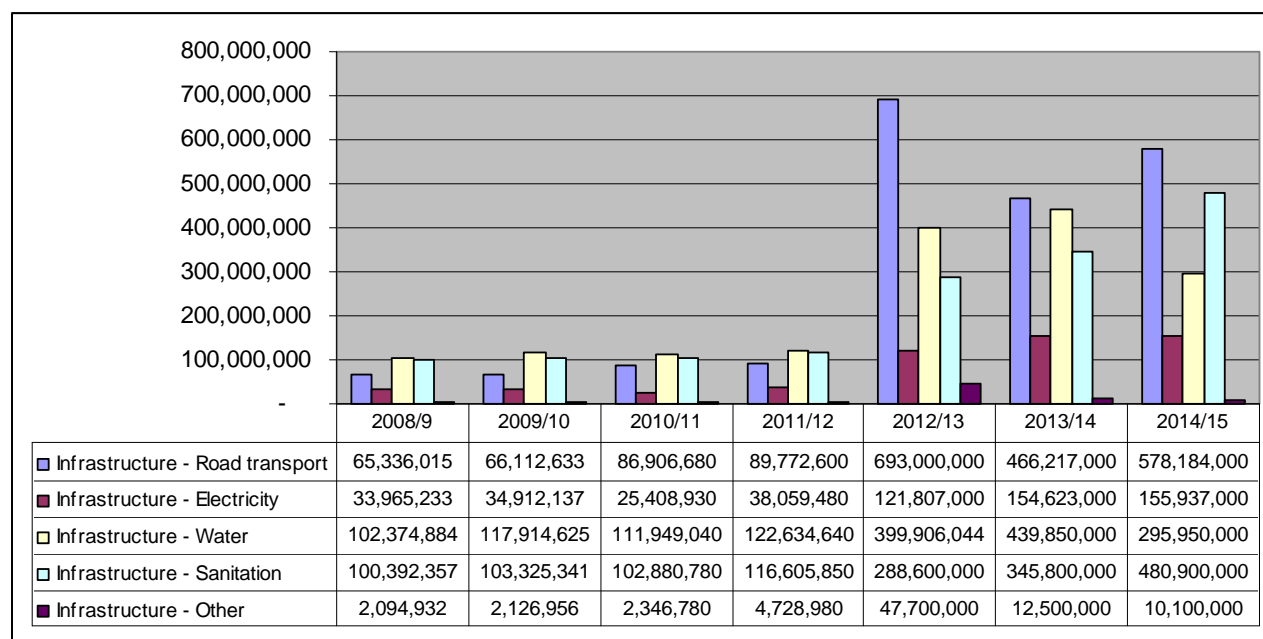
Total new assets represent 29% or R1,523 billion of the total capital budget while asset renewal/rehabilitation equates to 71% or R3,752 billion. National Treasury has suggested that 40% of the capital budget should be allocated for asset renewal/rehabilitation. Further detail relating to asset classes and proposed capital expenditure is contained in Table A9 (Asset Management). Some of the major projects to be undertaken over the medium-term includes, amongst others:

- Reticulation services for housing delivery – R458 million;
- Construction of new scientific services laboratory – R58 million;
- Replacement of fleet – R30 million;
- Tarring of gravel roads – R150 million;
- Stormwater Improvement – R145,9 million;
- Construction of Major Roads – R23,8 million;
- Informal Housing Electrification – R55 million;
- Provision of sidewalks – R15 million;
- Electricity infrastructure – R254,6 million;
- Integrated Public Transportation System – R998,2 million;
- Drought relief projects – R448,5 million;
- Water treatment works – R189,9 million;
- Water Reticulation Network – R354,8 million;
- Bulk Sewers – R453,8 million;
- Waste Water Treatment Works – R483,3 million;

- Greening and beautification – R6,5 million;
- Refuse sites and recycling stations – R16 million;
- Urban renewal – R48,4 million; and
- Sports and Recreational facilities – R61,4 million.

Annexure “A” provides a summary of the capital projects included in the Capital budget.

The following graph provides a breakdown of the capital budget to be spent on infrastructure related projects over the MTREF.



**Figure 2 Capital Infrastructure Programme**

### 1.7 ANNUAL BUDGET TABLES - PARENT MUNICIPALITY

The ten main budget tables, as required in terms of the Municipal Budget and Reporting Regulations, are included in this section. These tables set out the Municipality's 2012/13 budget and MTREF to be considered for approval by Council. Each table is accompanied by *explanatory notes*.

**Table 9 (Table A1 - Budget Summary)**

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<u>Financial Performance</u>									
Property rates	659,777	756,499	838,855	961,565	961,565	961,565	1,074,628	1,214,336	1,372,205
Service charges	2,169,825	2,549,175	3,122,758	3,648,779	3,540,253	3,540,253	3,950,854	4,436,133	5,006,009
Investment revenue	166,128	61,760	16,447	21,257	28,000	28,000	25,528	27,059	28,683
Transfers recognised - operational	1,021,115	1,454,743	1,363,358	1,384,487	1,234,094	1,234,094	1,404,746	1,073,480	1,163,408
Other own revenue	329,243	396,346	524,097	339,321	789,551	789,551	825,517	901,674	953,710
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>4,346,087</b>	<b>5,218,523</b>	<b>5,865,515</b>	<b>6,355,409</b>	<b>6,553,464</b>	<b>6,553,464</b>	<b>7,281,273</b>	<b>7,652,682</b>	<b>8,524,016</b>
Employee costs	1,280,871	1,624,444	1,887,362	1,859,569	1,849,569	1,849,569	1,844,834	1,982,421	2,162,609
Remuneration of councillors	41,255	44,886	45,053	51,084	51,084	51,084	54,583	60,041	66,645
Depreciation & asset impairment	406,256	546,468	571,060	689,192	720,156	720,156	736,107	711,542	656,940
Finance charges	82,500	113,315	177,630	221,117	215,162	215,162	203,137	191,728	181,086
Materials and bulk purchases	1,323,448	1,645,485	1,990,725	2,390,218	2,402,532	2,402,532	2,749,073	3,097,146	3,494,920
Transfers and grants	265,764	364,571	307,556	417,961	370,961	370,961	413,253	461,752	519,521
Other expenditure	879,642	1,382,277	1,432,156	976,334	1,325,907	1,325,907	1,600,346	1,269,466	1,370,318
<b>Total Expenditure</b>	<b>4,279,736</b>	<b>5,721,445</b>	<b>6,411,541</b>	<b>6,605,474</b>	<b>6,935,370</b>	<b>6,935,370</b>	<b>7,601,331</b>	<b>7,774,095</b>	<b>8,452,040</b>
<b>Surplus/(Deficit)</b>	<b>66,351</b>	<b>(502,922)</b>	<b>(546,026)</b>	<b>(250,066)</b>	<b>(381,907)</b>	<b>(381,907)</b>	<b>(320,058)</b>	<b>(121,413)</b>	<b>71,976</b>
Transfers recognised - capital	970,072	993,724	505,614	1,249,467	1,025,431	1,025,431	1,490,375	1,344,088	1,453,349
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>1,036,423</b>	<b>490,802</b>	<b>(40,412)</b>	<b>999,401</b>	<b>643,524</b>	<b>643,524</b>	<b>1,170,316</b>	<b>1,222,675</b>	<b>1,525,325</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>1,036,423</b>	<b>490,802</b>	<b>(40,412)</b>	<b>999,401</b>	<b>643,524</b>	<b>643,524</b>	<b>1,170,316</b>	<b>1,222,675</b>	<b>1,525,325</b>
<u>Capital expenditure &amp; funds sources</u>									
<b>Capital expenditure</b>	<b>2,797,395</b>	<b>2,273,293</b>	<b>1,517,496</b>	<b>1,360,007</b>	<b>1,234,602</b>	<b>1,234,602</b>	<b>1,803,661</b>	<b>1,675,026</b>	<b>1,797,349</b>
Transfers recognised - capital	1,643,032	956,989	512,292	1,249,467	1,040,506	1,040,506	1,490,374	1,344,088	1,453,349
Public contributions & donations	23,348	94,452	15,537	38,000	38,000	38,000	23,000	33,500	33,500
Borrowing	563,075	745,200	470,000	-	-	-	-	-	-
Internally generated funds	567,939	476,652	519,667	122,540	156,095	156,095	290,287	297,438	310,500
<b>Total sources of capital funds</b>	<b>2,797,395</b>	<b>2,273,293</b>	<b>1,517,496</b>	<b>1,410,007</b>	<b>1,234,602</b>	<b>1,234,602</b>	<b>1,803,661</b>	<b>1,675,026</b>	<b>1,797,349</b>

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b><u>Financial position</u></b>									
Total current assets	2,110,605	1,980,743	1,425,756	1,484,224	1,817,033	1,817,033	1,457,297	1,546,571	1,858,208
Total non current assets	9,545,409	11,384,686	12,351,271	12,865,135	12,925,754	12,925,754	13,994,808	14,958,292	16,098,701
Total current liabilities	2,085,650	2,061,221	1,853,843	1,474,867	1,799,233	1,799,233	1,739,677	1,820,377	1,907,126
Total non current liabilities	1,223,452	2,466,494	3,125,880	2,946,397	2,951,548	2,951,548	3,040,479	3,060,694	3,095,576
Community wealth/Equity	8,346,913	8,837,715	8,797,304	9,928,094	9,992,005	9,992,005	10,537,961	11,265,039	12,284,061
<b><u>Cash flows</u></b>									
Net cash from (used) operating	1,344,887	938,304	916,465	1,617,491	1,698,921	1,698,921	1,437,790	1,832,040	2,157,171
Net cash from (used) investing	(2,303,651)	(2,301,966)	(1,499,718)	(1,363,169)	(1,291,421)	(1,291,421)	(1,736,256)	(1,677,890)	(1,775,117)
Net cash from (used) financing	(68,054)	1,113,172	381,141	(89,696)	(89,543)	(89,543)	(100,719)	(106,159)	(113,968)
Cash/cash equivalents at the year end	880,260	629,770	427,658	442,619	765,230	765,230	366,046	414,038	682,125
<b><u>Cash backing/surplus reconciliation</u></b>									
Cash and investments available	880,987	630,725	428,805	442,639	765,250	765,250	366,066	414,058	682,145
Application of cash and investments	1,280,673	1,340,069	1,002,379	542,089	729,503	729,503	562,942	599,664	657,737
Balance - surplus (shortfall)	(399,686)	(709,344)	(573,574)	(99,450)	35,747	35,747	(196,876)	(185,606)	24,408
<b><u>Asset management</u></b>									
Asset register summary (WDV)	9,450,710	11,304,786	12,289,797	12,801,616	12,862,236	12,862,236	13,211,319	13,957,863	14,916,238
Depreciation & asset impairment	406,256	546,468	571,060	689,192	720,156	720,156	736,107	711,542	656,940
Renewal of Existing Assets	190,818	–	268,333	287,900	513,158	513,158	1,182,409	1,123,995	1,446,326
Repairs and Maintenance	381,616	408,104	415,638	458,472	458,404	458,404	–	–	–
<b><u>Free services</u></b>									
Cost of Free Basic Services provided	191,776	216,810	–	178,057	209,907	209,907	231,118	262,507	300,449
Revenue cost of free services provided	231,313	265,171	–	293,663	284,475	284,475	323,048	361,352	413,403

### Explanatory notes to Table A1 - Budget Summary

The aim of the Budget Summary is to provide a concise overview of the proposed budget from all of the major financial perspectives (operating expenditure, capital expenditure, financial position, cash flow, and MFMA funding compliance). The table provides an overview of the amounts to be approved by Council within the context of operating performance, resources utilised for capital expenditure, financial position, cash and funding compliance, as well as the Municipality's commitment to eliminating basic service delivery backlogs.



**Table 10 (Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification))**

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b><u>Revenue - Standard</u></b>									
<i>Governance and administration</i>	1,952,661	1,538,345	1,683,291	1,689,573	1,747,018	1,747,018	1,909,497	2,102,708	2,297,599
Executive and council	545,117	201,536	28,864	1,237	1,268	1,268	51	51	52
Budget and treasury office	1,396,709	1,324,803	1,639,876	1,670,069	1,726,908	1,726,908	1,893,517	2,086,227	2,280,394
Corporate services	10,835	12,005	14,550	18,268	18,841	18,841	15,929	16,430	17,153
<i>Community and public safety</i>	432,284	597,748	390,349	189,745	555,487	555,487	481,187	81,762	86,670
Community and social services	2,429	34,083	42,473	14,917	24,386	24,386	20,698	17,550	18,605
Public safety	55,466	34,528	25,145	27,700	26,820	26,820	33,714	35,737	37,881
Housing	197,679	401,935	247,171	5,899	356,450	356,450	400,425	450	477
Health	82,444	106,046	58,883	98,913	95,775	95,775	10	104	110
<i>Economic and environmental services</i>	273,359	793,051	588,584	857,348	649,204	649,204	1,241,025	1,024,473	1,186,728
Planning and development	–	51,306	240,484	424,883	324,725	324,725	623,640	639,922	681,758
Environmental protection	22,730	7,463	24,697	21,369	32,963	32,963	3,091	3,276	3,473
<i>Trading services</i>	2,645,188	3,149,277	3,706,926	4,855,650	4,619,754	4,619,754	5,126,786	5,773,979	6,391,689
Electricity	1,583,009	1,943,671	2,345,615	2,958,915	2,925,827	2,925,827	3,135,937	3,523,315	3,954,407
Waste water management	355,944	375,721	374,947	554,189	545,107	545,107	766,917	880,759	1,089,563
<i>Other</i>	12,668	133,826	1,979	12,559	7,431	7,431	13,152	13,848	14,679
<b>Total Revenue - Standard</b>	<b>5,316,159</b>	<b>6,212,247</b>	<b>6,371,129</b>	<b>7,604,876</b>	<b>7,578,895</b>	<b>7,578,895</b>	<b>8,771,647</b>	<b>8,996,770</b>	<b>9,977,365</b>
<b><u>Expenditure - Standard</u></b>									
<i>Governance and administration</i>	803,788	1,308,361	1,127,638	978,127	1,071,123	1,071,123	1,163,667	1,222,060	1,289,610
Executive and council	173,874	321,203	133,149	172,195	165,308	165,308	182,167	193,747	209,422
Budget and treasury office	601,184	768,615	742,417	563,805	570,531	570,531	604,737	633,559	688,097
Corporate services	28,731	218,543	252,072	242,127	335,284	335,284	376,763	394,754	392,091
<i>Community and public safety</i>	959,770	1,104,899	1,236,597	930,311	1,185,468	1,185,468	1,308,318	952,536	1,004,395
Community and social services	19,556	114,386	100,957	211,283	136,869	136,869	113,256	119,099	130,971
Sport and recreation	274,590	100,362	156,012	146,248	136,488	136,488	206,422	216,122	227,095
Public safety	272,496	308,868	369,380	338,366	337,404	337,404	362,474	387,440	419,759
Housing	273,160	434,102	342,597	34,328	389,950	389,950	432,818	35,771	39,210
Health	119,969	147,181	267,650	200,086	184,756	184,756	193,348	194,104	187,361
<i>Economic and environmental services</i>	409,176	834,709	613,602	998,158	839,083	839,083	1,020,369	1,058,766	1,100,863
Planning and development	–	29,762	337,285	519,211	453,972	453,972	683,987	698,219	725,410
Road transport	211,198	274,859	185,199	215,246	148,087	148,087	219,148	233,515	236,563
Environmental protection	197,978	530,088	91,118	263,701	237,025	237,025	117,234	127,032	138,891

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<i>Trading services</i>	2,099,238	2,420,633	3,423,377	3,647,871	3,775,593	3,775,593	4,094,873	4,526,556	5,040,656
Electricity	1,277,045	1,484,720	2,119,477	2,490,120	2,531,635	2,531,635	2,803,620	3,130,847	3,516,942
Water	377,979	529,530	662,700	491,633	478,678	478,678	533,120	580,164	638,048
Waste water management	255,792	261,769	369,219	433,987	475,322	475,322	451,427	481,416	519,629
Waste management	188,423	144,615	271,981	232,132	289,959	289,959	306,705	334,129	366,037
<i>Other</i>	7,764	52,843	10,327	51,008	64,103	64,103	14,104	14,178	16,516
Total Expenditure - Standard	4,279,736	5,721,445	6,411,541	6,605,474	6,935,370	6,935,370	7,601,331	7,774,095	8,452,040
Surplus/(Deficit) for the year	1,036,423	490,802	(40,412)	999,401	643,524	643,524	1,170,316	1,222,675	1,525,325

### Explanatory notes to Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

The 'standard classification' refers to a modified Government Finance Statistics (GFS) reporting structure. The aim of the standard classification approach is to ensure that all municipalities approve a budget in one common format, to facilitate comparison across all municipalities. It is to be noted that the revenue by vote as reflected in this table, includes revenue attributable to capital grants.

**Table 11 (Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote))**

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<u>Revenue by Vote</u>									
Budget and Treasury	1,396,709	1,324,803	1,639,901	1,670,081	1,726,921	1,726,921	1,893,531	2,086,241	2,280,410
Public Health	285,943	307,594	284,783	371,447	358,135	358,135	261,287	292,713	330,562
Human Settlements	197,679	401,935	263,368	115,661	473,211	473,211	587,238	209,868	216,746
Economic Development and Recreational Services	106,933	175,451	170,560	172,110	175,031	175,031	155,464	160,403	170,028
Corporate Services	13,264	12,005	10,668	11,933	13,574	13,574	8,828	9,096	9,381
Rate and General Engineers	250,629	734,282	310,921	538,358	309,577	309,577	831,404	632,411	781,503
Water Services	525,467	635,800	784,691	1,094,200	921,991	921,991	969,301	1,084,248	1,024,637
Sanitation Services	355,944	375,721	374,859	554,189	545,107	545,107	766,917	880,759	1,089,563
Electricity and Energy	1,583,009	1,943,671	2,345,615	2,958,915	2,925,827	2,925,827	3,135,937	3,523,315	3,954,407
Executive and Council	498,110	10,887	5,537	1,636	1,774	1,774	658	502	528
Safety and Security	55,466	52,139	43,031	45,540	44,661	44,661	53,796	57,024	60,446
Nelson Mandela Bay Stadium	17,274	191,220	87,724	–	37,000	37,000	37,000	37,000	37,000
Strategic Programmes Directorate	29,733	46,738	49,471	70,805	46,087	46,087	70,286	23,191	22,157
Total Revenue by Vote	5,316,159	6,212,247	6,371,129	7,604,876	7,578,896	7,578,896	8,771,647	8,996,770	9,977,365

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Expenditure by Vote to be appropriated</b>									
Budget and Treasury	601,184	768,615	725,772	541,437	549,582	549,582	581,738	608,882	661,519
Public Health	506,369	852,515	646,547	712,821	728,161	728,161	636,714	676,899	716,081
Human Settlements	273,160	434,102	446,336	137,041	488,024	488,024	540,692	151,256	164,384
Economic Development and Recreational Services	282,355	296,144	255,969	463,840	404,725	404,725	415,264	413,773	423,462
Corporate Services	48,286	218,543	262,883	237,239	355,712	355,712	368,453	385,828	383,415
Rate and General Engineers	211,198	274,859	244,138	472,828	320,459	320,459	552,889	608,645	649,275
Water Services	377,979	529,530	664,564	491,633	476,831	476,831	533,656	580,732	638,650
Sanitation Services	255,792	261,769	340,166	385,192	382,279	382,279	407,114	435,118	471,405
Electricity and Energy	1,277,045	1,484,720	2,119,457	2,491,320	2,531,635	2,531,635	2,803,620	3,130,847	3,516,942
Executive and Council	123,321	169,065	160,321	202,171	194,843	194,843	216,886	228,926	246,421
Safety and Security	272,496	270,619	376,367	346,276	344,651	344,651	365,015	390,582	423,605
Nelson Mandela Bay Stadium	20,852	131,203	131,644	88,939	130,708	130,708	143,523	140,353	133,279
Strategic Programmes Directorate	29,701	29,762	37,376	34,739	27,761	27,761	35,767	22,254	23,601
<b>Total Expenditure by Vote</b>	<b>4,279,736</b>	<b>5,721,445</b>	<b>6,411,541</b>	<b>6,605,474</b>	<b>6,935,371</b>	<b>6,935,371</b>	<b>7,601,331</b>	<b>7,774,095</b>	<b>8,452,040</b>
<b>Surplus/(Deficit) for the year</b>	<b>1,036,423</b>	<b>490,802</b>	<b>(40,412)</b>	<b>999,401</b>	<b>643,525</b>	<b>643,525</b>	<b>1,170,316</b>	<b>1,222,675</b>	<b>1,525,325</b>

### Explanatory notes to Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

- The purpose of the format in which the budget is presented, is to enable the Council to enforce a vote in accordance with the municipality's organisational structure, so as to assign responsibility for the revenue and expenditure recorded against these votes to the Municipal Manager and Executive Directors concerned. Operating revenue and expenditure is thus presented by 'vote'. A 'vote' is defined as one of the main segments into which a budget of a municipality is divided into, for the appropriation of funds.

**Table 12 (Table A4 - Budgeted Financial Performance (revenue and expenditure))**

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Revenue By Source</b>									
Property rates	659,777	756,499	838,855	961,565	961,565	961,565	1,074,628	1,214,336	1,372,205
Service charges - electricity revenue	1,502,322	1,807,751	2,185,508	2,753,364	2,718,364	2,718,364	3,028,384	3,393,651	3,817,477
Service charges - water revenue	344,730	407,918	569,883	465,383	402,068	402,068	455,547	514,768	586,836
Service charges - sanitation revenue	226,507	228,020	246,692	295,170	283,094	283,094	312,033	352,598	401,961
Service charges - refuse revenue	96,266	105,486	120,675	134,861	136,727	136,727	154,890	175,117	199,735
Rental of facilities and equipment	13,336	15,545	17,641	18,791	18,431	18,431	19,820	20,992	22,235
Interest earned - external investments	166,128	61,760	16,447	21,257	28,000	28,000	25,528	27,059	28,683
Interest earned - outstanding debtors	92,041	82,762	113,347	78,993	81,993	81,993	86,913	92,128	97,655

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Fines	27,533	23,415	23,736	24,998	24,119	24,119	32,328	34,268	36,324
Licences and permits	8,552	8,242	8,153	7,399	7,399	7,399	9,014	9,555	10,129
Agency services	1,152	1,220	1,611	1,402	1,402	1,402	1,400	1,484	1,573
Transfers recognised - operational	1,021,115	1,454,743	1,363,358	1,384,487	1,234,094	1,234,094	1,404,746	1,073,480	1,163,408
Other revenue	186,624	265,161	357,912	207,738	656,207	656,207	676,041	743,247	785,794
Gains on disposal of PPE	6		1,698						
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>4,346,087</b>	<b>5,218,523</b>	<b>5,865,515</b>	<b>6,355,409</b>	<b>6,553,464</b>	<b>6,553,464</b>	<b>7,281,273</b>	<b>7,652,682</b>	<b>8,524,016</b>
<b>Expenditure By Type</b>									
Employee related costs	1,280,871	1,624,444	1,887,362	1,859,569	1,849,569	1,849,569	1,844,834	1,982,421	2,162,609
Remuneration of councillors	41,255	44,886	45,053	51,084	51,084	51,084	54,583	60,041	66,645
Debt impairment	175,549	419,467	554,265	288,147	282,151	282,151	251,274	281,480	316,113
Depreciation & asset impairment	406,256	546,468	571,060	689,192	720,156	720,156	736,107	711,542	656,940
Finance charges	82,500	113,315	177,630	221,117	215,162	215,162	203,137	191,728	181,086
Bulk purchases	941,832	1,237,381	1,575,087	1,931,746	1,944,128	1,944,128	2,250,539	2,560,006	2,915,757
Other materials	381,616	408,104	415,638	458,472	458,404	458,404	498,534	537,139	579,164
Contracted services	93,202	147,765	144,271	269,675	194,661	194,661	423,603	469,234	507,980
Transfers and grants	265,764	364,571	307,556	417,961	370,961	370,961	413,253	461,752	519,521
Other expenditure	603,354	812,113	728,563	418,512	849,095	849,095	925,468	518,752	546,225
Loss on disposal of PPE	7,538	2,933	5,057			-			
<b>Total Expenditure</b>	<b>4,279,736</b>	<b>5,721,445</b>	<b>6,411,541</b>	<b>6,605,474</b>	<b>6,935,370</b>	<b>6,935,370</b>	<b>7,601,331</b>	<b>7,774,095</b>	<b>8,452,040</b>
<b>Surplus/(Deficit)</b>	<b>66,351</b>	<b>(502,922)</b>	<b>(546,026)</b>	<b>(250,066)</b>	<b>(381,907)</b>	<b>(381,907)</b>	<b>(320,058)</b>	<b>(121,413)</b>	<b>71,976</b>
Transfers recognised - capital	970,072	993,724	505,614	1,249,467	1,025,431	1,025,431	1,490,375	1,344,088	1,453,349
Contributions recognised - capital	-	-	-	-	-	-	-	-	-
Contributed assets									
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>1,036,423</b>	<b>490,802</b>	<b>(40,412)</b>	<b>999,401</b>	<b>643,524</b>	<b>643,524</b>	<b>1,170,316</b>	<b>1,222,675</b>	<b>1,525,325</b>
<b>Surplus/(Deficit) after taxation</b>	<b>1,036,423</b>	<b>490,802</b>	<b>(40,412)</b>	<b>999,401</b>	<b>643,524</b>	<b>643,524</b>	<b>1,170,316</b>	<b>1,222,675</b>	<b>1,525,325</b>
<b>Surplus/(Deficit) attributable to municipality</b>	<b>1,036,423</b>	<b>490,802</b>	<b>(40,412)</b>	<b>999,401</b>	<b>643,524</b>	<b>643,524</b>	<b>1,170,316</b>	<b>1,222,675</b>	<b>1,525,325</b>
<b>Surplus/(Deficit) for the year</b>	<b>1,036,423</b>	<b>490,802</b>	<b>(40,412)</b>	<b>999,401</b>	<b>643,524</b>	<b>643,524</b>	<b>1,170,316</b>	<b>1,222,675</b>	<b>1,525,325</b>

## Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

### Revenue

1. The Financial Performance Budget is required to be approved concurrently by revenue source and expenditure type, so as to ensure consistency with annual reporting format requirements. A key aim is to facilitate comparison between the annual results and the original budget, so as to assess performance.
2. Total revenue amounts to R7,3 billion in 2012/13 and increases to R8,5 billion in 2014/15. This represents a year-on-year increase of 11,1% for the 2012/13 financial year, 5,1% for the 2013/14 financial year and 11,4% for the 2014/15 financial year.
3. Revenue from property rates amounts to R1,1 billion in the 2012/13 financial year and increases to R1,4 billion in 2014/15, which amounts to 16,1% of the total operating revenue base of the Municipality. It remains relatively constant over the medium-term, whilst tariff increases of 13% have been provided for 2012/13 and 13% for the two outer years.
4. Services charges relating to electricity, water, sanitation and refuse collection and removal constitute the biggest component of the total revenue base, amounting to R3,9 billion for the 2012/13 financial year and increasing to R5,0 billion in 2014/15. For the 2012/13 financial year services charges amount to 54,3% of the total revenue base and grows to 58,7% in 2014/15. This growth is mainly attributable to the increase in the bulk price of electricity.
5. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It is to be noted that the grants increased by 13,8% for 2012/13 and reduces by 23,6% for 2013/14. In the 2014/15 financial year the grants increase by 8,4%.

### Expenditure

6. Bulk purchases have increased significantly over the 2008/09 to 2012/13 period, increasing from R941,8 million to R2,3 billion. These increases are mainly attributable to the substantial increases in the cost of bulk electricity from Eskom.

**Table 13 (Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source)**

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<u>Capital expenditure - Vote</u>									
<u>Multi-year expenditure to be appropriated</u>									
Vote 1 - Budget and Treasury	27,306	51,396	55,769	54,965	27,865	27,865	10,480	10,300	10,350
Vote 2 - Public Health	94,182	81,242	108,310	25,094	41,706	41,706	20,000	20,000	20,000
Vote 3 - Human Settlements	57,683	79,531	–	90,000	102,000	102,000	165,868	185,336	186,928
Vote 4 - Economic Development and Recreational Services	164,809	214,808	193,547	32,000	61,318	61,318	17,900	13,500	30,000
Vote 5 - Corporate Services	69,411	46,471	88,482	30,500	36,339	36,339	23,200	22,000	22,600
Vote 6 - Rate and General Engineers	907,170	976,761	587,299	395,300	299,162	299,162	693,000	466,217	578,184
Vote 7 - Water Services	188,807	215,412	145,187	473,000	410,000	410,000	399,906	439,850	295,950

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Vote 8 - Sanitation Services	111,993	131,950	125,357	116,373	118,723	118,723	288,600	345,800	480,900
Vote 9 - Electricity and Energy	257,520	217,874	170,849	86,000	86,000	86,000	121,807	154,623	155,937
Vote 10 - Executive and Council	15,650	6,199	7,541	12,000	12,000	12,000	11,200	10,000	11,500
Vote 11 - Safety and Security	44,256	88,929	16,998	6,500	4,809	4,809	5,700	5,000	5,000
Vote 12 - Nelson Mandela Bay Stadium	843,000	141,600	–	–	–	–	–	–	–
Vote 13 - Strategic Programmes Directorate	15,607	21,119	18,157	38,275	34,680	34,680	46,000	2,400	–
Vote 14 - [NAME OF VOTE 14]	–	–	–	–	–	–	–	–	–
Vote 15 - [NAME OF VOTE 15]	–	–	–	–	–	–	–	–	–
Capital multi-year expenditure sub-total	2,797,395	2,273,293	1,517,496	1,360,007	1,234,602	1,234,602	1,803,661	1,675,026	1,797,349
<b>Capital Expenditure - Standard</b>									
<i>Governance and administration</i>	112,367	282,017	151,792	97,465	76,204	76,204	44,880	42,300	44,450
Executive and council	15,650	6,199	7,541	12,000	12,000	12,000	11,200	10,000	11,500
Budget and treasury office	27,306	112,710	55,769	54,965	27,865	27,865	10,480	10,300	10,350
Corporate services	69,411	163,109	88,482	30,500	36,339	36,339	23,200	22,000	22,600
<i>Community and public safety</i>	360,930	440,575	221,070	112,094	143,698	143,698	190,468	203,836	221,928
Community and social services	164,809	35,465	42,170	3,000	3,000	3,000	8,000	7,500	10,000
Sport and recreation		376,238	151,209	9,000	28,225	28,225	9,900	6,000	20,000
Public safety	44,256	2,670	16,998	6,500	4,809	4,809	5,700	5,000	5,000
Housing	57,683	–	–	90,000	102,000	102,000	165,868	185,336	186,928
Health	94,182	26,203	10,694	3,594	5,664	5,664	1,000	–	–
<i>Economic and environmental services</i>	922,777	902,107	610,376	464,575	377,026	377,026	752,000	483,112	593,579
Planning and development	15,607	45,397	18,157	58,275	64,772	64,772	46,000	2,400	–
Road transport	907,170	856,710	587,299	395,300	299,162	299,162	693,000	466,217	578,184
Environmental protection			4,920	11,000	13,092	13,092	13,000	14,495	15,395
<i>Trading services</i>	558,321	648,593	534,091	685,873	637,673	637,673	816,313	945,778	937,392
Electricity	257,520	333,489	170,849	86,000	86,000	86,000	121,807	154,623	155,937
Water	188,807	197,870	145,187	473,000	410,000	410,000	399,906	439,850	295,950
Waste water management	111,993	117,234	125,357	116,373	118,723	118,723	288,600	345,800	480,900
Waste management			92,697	10,500	22,950	22,950	6,000	5,505	4,605
<i>Other</i>	843,000		168						
Total Capital Expenditure - Standard	2,797,395	2,273,293	1,517,496	1,360,007	1,234,602	1,234,602	1,803,661	1,675,026	1,797,349

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Funded by:</b>									
National Government	1,585,935	956,989	481,969	1,246,467	1,037,506	1,037,506	1,255,374	1,059,088	1,293,349
Provincial Government	57,097		8,304	–					
Other transfers and grants			22,019	3,000	3,000	3,000	235,000	285,000	160,000
Transfers recognised - capital	1,643,032	956,989	512,292	1,249,467	1,040,506	1,040,506	1,490,374	1,344,088	1,453,349
Public contributions & donations	23,348	94,452	15,537	38,000	38,000	38,000	23,000	33,500	33,500
Borrowing	563,075	745,200	470,000	–			–	–	–
Internally generated funds	567,939	476,652	519,667	122,540	156,095	156,095	290,287	297,438	310,500
<b>Total Capital Funding</b>	<b>2,797,395</b>	<b>2,273,293</b>	<b>1,517,496</b>	<b>1,410,007</b>	<b>1,234,602</b>	<b>1,234,602</b>	<b>1,803,661</b>	<b>1,675,026</b>	<b>1,797,349</b>

### Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote; capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The capital programme is funded from capital and provincial grants and transfers, public contributions and donations, and internally generated funds. For 2012/13, capital transfers totals R1,5 billion (82.6%) and amounts to R1,5 billion for 2014/15 (80,9%). Internally generated funding amounts to R313,3 million, R330,9 million and R344 million for each of the respective financial years of the MTREF. The source of the internally generated funding comprises the fuel levy and the equitable share allocation. These funding sources are further discussed in detail in Section 2.6 (Overview of Budget Funding).

**Table 14 (Table A6 - Budgeted Financial Position)**

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>ASSETS</b>									
Current assets									
Cash	95,383	124,361	130,665	200,000	200,000	200,000	200,000	200,000	200,000
Call investment deposits	784,877	506,343	298,120	242,619	565,230	565,230	166,046	214,038	482,125
Consumer debtors	867,462	599,488	446,368	761,585	546,368	546,368	580,516	616,798	655,348
Other debtors	231,008	615,753	435,910	180,000	390,715	390,715	390,715	390,715	390,715
Current portion of long-term receivables	647	34	13	20	20	20	20	20	20
Inventory	131,228	134,764	114,680	100,000	114,700	114,700	120,000	125,000	130,000
<b>Total current assets</b>	<b>2,110,605</b>	<b>1,980,743</b>	<b>1,425,756</b>	<b>1,484,224</b>	<b>1,817,033</b>	<b>1,817,033</b>	<b>1,457,297</b>	<b>1,546,571</b>	<b>1,858,208</b>

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Non current assets</b>									
Long-term receivables	93,972	80,529	61,454	63,499	63,499	63,499	65,000	65,000	65,000
Investments	727	20	20	20	20	20	20	20	20
Investment property	1,865,722	70,763	71,231		71,231	71,231	71,231	71,231	71,231
Investment in Associate									
Property, plant and equipment	7,260,015	10,821,866	11,788,094	12,400,545	12,359,605	12,359,605	13,359,753	14,326,101	15,444,278
Agricultural									
Biological									
Intangible	324,974	411,509	430,472	401,071	431,399	431,399	431,399	431,399	431,399
Other non-current assets									
<b>Total non current assets</b>	<b>9,545,409</b>	<b>11,384,686</b>	<b>12,351,271</b>	<b>12,865,135</b>	<b>12,925,754</b>	<b>12,925,754</b>	<b>13,927,403</b>	<b>14,893,751</b>	<b>16,011,928</b>
<b>TOTAL ASSETS</b>	<b>11,656,015</b>	<b>13,365,430</b>	<b>13,777,026</b>	<b>14,349,358</b>	<b>14,742,787</b>	<b>14,742,787</b>	<b>15,384,700</b>	<b>16,440,323</b>	<b>17,870,137</b>
<b>LIABILITIES</b>									
<b>Current liabilities</b>									
Bank overdraft									-
Borrowing	51,828	92,458	92,055	98,682	97,444	97,444	105,159	112,968	104,093
Consumer deposits	77,115	79,850	111,125	82,585	82,585	82,585	113,500	114,500	115,500
Trade and other payables	1,913,310	1,840,534	1,548,072	1,240,000	1,565,604	1,565,604	1,436,018	1,502,809	1,592,027
Provisions	43,398	48,380	102,591	53,600	53,600	53,600	85,000	90,100	95,506
<b>Total current liabilities</b>	<b>2,085,650</b>	<b>2,061,221</b>	<b>1,853,843</b>	<b>1,474,867</b>	<b>1,799,233</b>	<b>1,799,233</b>	<b>1,739,677</b>	<b>1,820,377</b>	<b>1,907,126</b>
<b>Non current liabilities</b>									
Borrowing	386,657	1,459,787	1,841,851	1,729,021	1,734,172	1,734,172	1,629,013	1,516,045	1,411,952
Provisions	836,795	1,006,706	1,284,029	1,217,376	1,217,376	1,217,376	1,411,466	1,544,649	1,683,624
<b>Total non current liabilities</b>	<b>1,223,452</b>	<b>2,466,494</b>	<b>3,125,880</b>	<b>2,946,397</b>	<b>2,951,548</b>	<b>2,951,548</b>	<b>3,040,479</b>	<b>3,060,694</b>	<b>3,095,576</b>
<b>TOTAL LIABILITIES</b>	<b>3,309,102</b>	<b>4,527,715</b>	<b>4,979,723</b>	<b>4,421,264</b>	<b>4,750,781</b>	<b>4,750,781</b>	<b>4,780,156</b>	<b>4,881,071</b>	<b>5,002,702</b>
<b>NET ASSETS</b>	<b>8,346,913</b>	<b>8,837,715</b>	<b>8,797,304</b>	<b>9,928,094</b>	<b>9,992,005</b>	<b>9,992,005</b>	<b>10,604,544</b>	<b>11,559,252</b>	<b>12,867,435</b>
<b>COMMUNITY WEALTH/EQUITY</b>									
Accumulated Surplus/(Deficit)	3,392,252	3,243,190	3,607,569	3,535,230	4,251,094	4,251,094	4,894,411	5,078,699	5,384,762
Reserves	4,954,661	5,594,525	5,189,734	6,392,864	5,740,911	5,740,911	5,710,133	6,480,553	7,482,673
Minorities' interests									
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>8,346,913</b>	<b>8,837,715</b>	<b>8,797,304</b>	<b>9,928,094</b>	<b>9,992,005</b>	<b>9,992,005</b>	<b>10,604,544</b>	<b>11,559,252</b>	<b>12,867,435</b>

### Explanatory notes to Table A6 - Budgeted Financial Position

- The table presents Assets less Liabilities as Community Wealth. The order of items within each group is also aligned to the convention of showing items in order of liquidity; i.e. assets readily converted to cash or liabilities immediately required to be met from cash appear first.



2. Any movement on the Budgeted Financial Performance or the Capital Budget will invariably impact on the Budgeted Financial Position. For example, the collection rate assumption will impact on the cash position of the municipality and consequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption informs the budget provision for debt impairment, which in turn impacts on the provision for bad debts. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is directly informed by forecasting the statement of financial position.

**Table 15 (Table A7 - Budget cash flow statement)**

Description	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>										
<b>Receipts</b>										
Ratepayers and other	2,852,209	2,704,202	5,412,124	4,261,084	4,670,097	4,670,097	4,670,097	5,195,141	5,818,140	6,505,725
Government - operating	1,021,115	1,454,743	1,363,358	1,371,306	1,282,407	1,282,407	1,282,407	1,161,771	1,073,480	1,163,408
Government - capital	970,072	993,724	531,295	1,246,467	1,249,768	1,249,768	1,249,768	1,243,420	1,344,088	1,453,571
Interest	258,168	167,543	16,447	21,257	28,000	28,000	28,000	25,528	27,059	28,683
Dividends										
<b>Payments</b>										
Suppliers and employees	(3,637,899)	(4,136,060)	(5,933,419)	(4,987,425)	(5,228,429)	(5,228,429)	(5,228,429)	(5,896,927)	(6,145,599)	(6,714,012)
Finance charges	(82,500)	(145,978)	(177,110)	(208,791)	(213,337)	(213,337)	(213,337)	(200,937)	(189,528)	(178,886)
Transfers and Grants	(36,277)	(99,870)	(296,231)	(86,407)	(89,584)	(89,584)	(89,584)	(90,205)	(95,600)	(101,318)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>1,344,887</b>	<b>938,304</b>	<b>916,465</b>	<b>1,617,491</b>	<b>1,698,921</b>	<b>1,698,921</b>	<b>1,698,921</b>	<b>1,437,790</b>	<b>1,832,040</b>	<b>2,157,171</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>										
<b>Receipts</b>										
Proceeds on disposal of PPE	6		2,250							
Decrease (Increase) in non-current debtors										
Decrease (increase) other non-current receivables	23,007	31,484	19,096	1,297	1,297	1,297	1,297			
Decrease (increase) in non-current investments	10,561									
<b>Payments</b>										
Capital assets	(2,337,225)	(2,333,450)	(1,521,064)	(1,364,466)	(1,292,718)	(1,292,718)	(1,292,718)	(1,736,256)	(1,677,890)	(1,775,117)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(2,303,651)</b>	<b>(2,301,966)</b>	<b>(1,499,718)</b>	<b>(1,363,169)</b>	<b>(1,291,421)</b>	<b>(1,291,421)</b>	<b>(1,291,421)</b>	<b>(1,736,256)</b>	<b>(1,677,890)</b>	<b>(1,775,117)</b>

Description	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>										
Receipts										
Short term loans										
Borrowing long term/refinancing		1,165,000	470,000							
Increase (decrease) in consumer deposits	(11,615)			2,515	2,515	2,515	2,515	(3,275)	(1,000)	(1,000)
Payments										
Repayment of borrowing	(56,438)	(51,828)	(88,859)	(92,211)	(92,058)	(92,058)	(92,058)	(97,444)	(105,159)	(112,968)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(68,054)</b>	<b>1,113,172</b>	<b>381,141</b>	<b>(89,696)</b>	<b>(89,543)</b>	<b>(89,543)</b>	<b>(89,543)</b>	<b>(100,719)</b>	<b>(106,159)</b>	<b>(113,968)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>(1,026,818)</b>	<b>(250,490)</b>	<b>(202,112)</b>	<b>164,626</b>	<b>317,957</b>	<b>317,957</b>	<b>317,957</b>	<b>(399,184)</b>	<b>47,992</b>	<b>268,086</b>
Cash/cash equivalents at the year begin:	1,907,077	880,260	629,770	277,992	447,273	447,273	447,273	765,230	366,046	414,038
Cash/cash equivalents at the year end:	880,260	629,770	427,658	442,619	765,230	765,230	765,230	366,046	414,038	682,125

#### Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement represents the first measurement in determining whether the budget is funded.
2. It reflects the expected cash in-flows versus cash out-flows that is likely to result from the implementation of the budget.
3. The cash position of the Municipality declined significantly over the 2007/08 to 2011/12 period, from R1,9 billion to R765,2 million.
4. The 2012/13 MTREF has been informed by the planning principle of striving to ensure adequate cash reserves over the medium-term.
5. Cash and cash equivalents amounts to R366,0 million as at the end of the 2012/13 financial year and increases to R682,1 million in 2014/15. The 2012/13 cash balance is significantly influenced by the unspent grants of approximately R498 million relating to the previous year(s) being provided for in the 2012/13 Budget.

**Table 16 (Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation)**

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Cash and investments available</b>									
Cash/cash equivalents at the year end	880,260	629,770	427,658	442,619	765,230	765,230	366,046	414,038	682,125
Other current investments > 90 days	0	935	1,127	0	(0)	(0)	(0)	(0)	0
Non current assets - Investments	727	20	20	20	20	20	20	20	20
Cash and investments available:	880,987	630,725	428,805	442,639	765,250	765,250	366,066	414,058	682,145
<b>Application of cash and investments</b>									
Unspent conditional transfers	645,367	206,196	301,712		325,604	325,604	196,018	188,409	205,335
Other working capital requirements	148,666	687,821	107,292	374,740	356,899	356,899	319,924	362,035	400,829
Reserves to be backed by cash/investments	486,640	446,052	593,375	167,349	47,000	47,000	47,000	49,220	51,573

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Total Application of cash and investments:	1,280,673	1,340,069	1,002,379	542,089	729,503	729,503	562,942	599,664	657,737
Surplus(shortfall)	(399,686)	(709,344)	(573,574)	(99,450)	35,747	35,747	(196,876)	(185,606)	24,408

### Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. The table assesses the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. As part of the budgeting and planning guidelines that informed the compilation of the 2012/13 MTREF, the end objective of the medium-term framework was to ensure the budget is funded as required in accordance with section 18 of the MFMA.
4. It is to be noted that the budget progressively moves from a funding shortfall of R196,9 million in 2012/13 to a surplus of R24,4 million in 2014/15.

**Table 17 (Table A9 - Asset Management)**

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>CAPITAL EXPENDITURE</b>									
<b>Total New Assets</b>	<b>2,276,898</b>	<b>1,994,760</b>	<b>1,043,023</b>	<b>1,072,107</b>	<b>721,447</b>	<b>721,447</b>	<b>621,253</b>	<b>551,031</b>	<b>351,023</b>
<i>Infrastructure - Road transport</i>	684,505	794,839	381,159	248,800	131,811	131,811	54,700	62,650	53,650
<i>Infrastructure - Electricity</i>	221,504	313,885	159,885	60,400	4,100	4,100	6,000	7,500	5,500
<i>Infrastructure - Water</i>	107,808	151,610	102,135	435,000	372,450	372,450	269,254	214,000	41,000
<i>Infrastructure - Sanitation</i>	33,092	87,150	92,140	38,073	2,500	2,500	7,500	7,500	7,500
<i>Infrastructure - Other</i>	21,675	–	32,304	–	29,295	29,295	15,500	2,945	2,945
<b>Infrastructure</b>	<b>1,068,585</b>	<b>1,347,484</b>	<b>767,622</b>	<b>782,273</b>	<b>540,156</b>	<b>540,156</b>	<b>352,954</b>	<b>294,595</b>	<b>110,595</b>
<b>Community</b>	<b>1,052,133</b>	<b>425,850</b>	<b>142,164</b>	<b>90,369</b>	<b>46,814</b>	<b>46,814</b>	<b>44,000</b>	<b>12,600</b>	<b>10,000</b>
Heritage assets	9,850	–	–	–	–	–	–	–	–
Investment properties	57,683	–	–	120,000	102,000	102,000	145,868	155,336	156,928
Other assets	35,170	186,974	133,237	14,500	4,312	4,312	57,860	68,100	50,100
Agricultural Assets	–	–	–	–	–	–	–	–	–
Biological assets	–	–	–	–	–	–	–	–	–
Intangibles	53,477	34,452	–	64,965	28,165	28,165	20,570	20,400	23,400
<b>Total Renewal of Existing Assets</b>	<b>190,818</b>	<b>241,358</b>	<b>268,333</b>	<b>287,900</b>	<b>513,158</b>	<b>513,158</b>	<b>1,182,409</b>	<b>1,123,995</b>	<b>1,446,326</b>
<i>Infrastructure - Road transport</i>	107,910	80,448	–	112,500	164,690	164,690	608,000	373,202	515,654
<i>Infrastructure - Electricity</i>	15,516	10,802	10,965	25,600	81,900	81,900	110,807	138,123	139,437

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<i>Infrastructure - Water</i>	37,068	63,802	43,052	45,000	37,550	37,550	126,652	221,850	250,950
<i>Infrastructure - Sanitation</i>	30,324	51,325	33,218	78,300	116,225	116,225	277,100	334,300	469,400
<i>Infrastructure - Other</i>	–	–	59,084	10,500	27,773	27,773	1,700	1,655	1,655

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Infrastructure	190,818	–	146,319	271,900	428,138	428,138	1,124,259	1,069,130	1,377,096
Community	–	10,843	68,837	–	41,801	41,801	18,677	15,300	31,800
Heritage assets	–	–	21,920	–	–	–	–	–	–
Investment properties	–	–	–	–	–	–	–	–	–
Other assets	–	24,138	31,257	16,000	31,458	31,458	28,473	23,485	21,890
Agricultural Assets	–	–	–	–	–	–	–	–	–
Biological assets	–	–	–	–	–	–	–	–	–
Intangibles	–	–	–	–	11,762	11,762	11,000	16,080	15,540
<b>Total Capital Expenditure</b>									
<i>Infrastructure - Road transport</i>	792,415	875,287	381,159	361,300	296,500	296,500	662,700	435,852	569,304
<i>Infrastructure - Electricity</i>	237,020	324,687	170,849	86,000	86,000	86,000	116,807	145,623	144,937
<i>Infrastructure - Water</i>	144,876	215,412	145,187	480,000	410,000	410,000	395,906	435,850	291,950
<i>Infrastructure - Sanitation</i>	63,416	138,475	125,357	116,373	118,725	118,725	284,600	341,800	476,900
<i>Infrastructure - Other</i>	21,675	–	91,388	10,500	57,068	57,068	17,200	4,600	4,600
Infrastructure	1,259,403	1,553,861	913,941	1,054,173	968,293	968,293	1,477,213	1,363,725	1,487,691
Community	1,052,133	436,693	211,001	90,369	88,616	88,616	62,677	27,900	41,800
Heritage assets	9,850	–	21,920	–	–	–	–	–	–
Investment properties	57,683	–	–	120,000	102,000	102,000	145,868	155,336	156,928
Other assets	35,170	211,112	164,494	30,500	35,770	35,770	86,333	91,585	71,990
Agricultural Assets	–	–	–	–	–	–	–	–	–
Biological assets	–	–	–	–	–	–	–	–	–
Intangibles	53,477	34,452	–	64,965	39,927	39,927	31,570	36,480	38,940
<b>TOTAL CAPITAL EXPENDITURE - Asset class</b>	<b>2,467,716</b>	<b>2,236,118</b>	<b>1,311,356</b>	<b>1,360,007</b>	<b>1,234,606</b>	<b>1,234,606</b>	<b>1,803,661</b>	<b>1,675,026</b>	<b>1,797,349</b>
<b>ASSET REGISTER SUMMARY - PPE (WDV)</b>									
<i>Infrastructure - Road transport</i>	2,792,685	4,193,173	2,849,752	4,833,478	3,044,971	3,044,971	3,534,412	4,139,717	4,577,930
<i>Infrastructure - Electricity</i>	1,151,199	1,306,508	1,437,655	1,435,590	1,441,066	1,441,066	1,471,284	1,521,542	1,606,113
<i>Infrastructure - Water</i>	902,709	1,153,966	941,776	1,580,403	1,323,249	1,323,249	1,510,643	1,754,819	2,054,339
<i>Infrastructure - Sanitation</i>	596,584	683,428	771,160	837,347	878,338	878,338	1,073,121	1,309,473	1,766,393

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<i>Infrastructure - Other</i>	41,139	83,424	2,268,138	165,258	1,918,907	1,918,907	1,535,046	1,147,728	1,064,198
Infrastructure	5,484,316	7,420,499	8,268,480	8,852,076	8,606,531	8,606,531	9,124,504	9,873,280	11,068,972
Community	1,339,657	2,726,258	2,810,627	2,591,040	2,856,504	2,856,504	2,862,317	2,843,346	2,634,870
Heritage assets	59,146	111,083	126,474	99,982	126,474	126,474	126,474	126,474	121,474
Investment properties	1,865,722	70,763	71,231	–	71,231	71,231	71,231	71,231	71,231

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Other assets	376,896	564,026	582,513	857,447	770,096	770,096	1,246,458	1,483,002	1,618,963
Agricultural Assets	–	–	–	–	–	–	–	–	–
Biological assets	–	–	–	–	–	–	–	–	–
Intangibles	324,974	411,509	430,472	401,071	431,399	431,399	431,399	431,399	431,399
<b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b>	<b>9,450,710</b>	<b>11,304,137</b>	<b>12,289,797</b>	<b>12,801,616</b>	<b>12,862,235</b>	<b>12,862,235</b>	<b>13,862,383</b>	<b>14,828,731</b>	<b>15,946,908</b>
EXPENDITURE OTHER ITEMS									
<u>Depreciation &amp; asset impairment</u>	406,256	546,468	571,060	689,192	720,156	720,156	736,107	711,542	656,940
<u>Repairs and Maintenance by Asset Class</u>	381,616	408,104	415,638	458,472	458,404	458,404	498,534	537,139	579,164
<i>Infrastructure - Road transport</i>	65,336	66,113	73,310	89,773	90,165	90,165	90,672	96,112	101,879
<i>Infrastructure - Electricity</i>	33,965	34,912	28,585	38,059	36,085	36,085	42,006	45,691	49,560
<i>Infrastructure - Water</i>	102,375	117,915	119,415	120,635	112,634	112,634	131,853	144,439	157,702
<i>Infrastructure - Sanitation</i>	100,392	103,325	111,701	116,606	124,696	124,696	129,312	138,336	148,790
<i>Infrastructure - Other</i>	2,095	2,127	2,735	4,729	4,729	4,729	5,510	5,887	6,291
Infrastructure	304,163	324,392	335,745	369,802	368,309	368,309	399,353	430,465	464,223
Community	31,701	29,167	31,853	29,304	30,578	30,578	35,387	38,409	41,877
Heritage assets	–	–	–	–	–	–	–	–	–
Investment properties	–	–	–	–	–	–	–	–	–
Other assets	45,752	54,545	48,040	59,366	59,517	59,517	63,794	68,265	73,064
<b>TOTAL EXPENDITURE OTHER ITEMS</b>	<b>787,872</b>	<b>954,572</b>	<b>986,697</b>	<b>1,147,663</b>	<b>1,178,560</b>	<b>1,178,560</b>	<b>1,234,640</b>	<b>1,248,681</b>	<b>1,236,104</b>
<i>Renewal of Existing Assets as % of total capex</i>	7.7%	0.0%	20.5%	21.2%	41.6%	41.6%	65.6%	67.1%	80.5%
<i>Renewal of Existing Assets as % of deprecn"</i>	47.0%	0.0%	47.0%	41.8%	71.3%	71.3%	160.6%	158.0%	220.2%
<i>R&amp;M as a % of PPE</i>	5.3%	3.8%	3.5%	3.7%	3.7%	3.7%	3.7%	3.7%	3.8%
<i>Renewal and R&amp;M as a % of PPE</i>	6.0%	4.0%	6.0%	6.0%	8.0%	8.0%	12.0%	11.0%	13.0%

### Explanatory notes to Table A9 - Asset Management

1. The table provides a summarised version of the capital programme divided into new assets and renewal of existing assets; and also reflects the relevant asset categories. The associated repairs and maintenance and depreciation is also reflected.

It also provides an indication of the resources deployed for maintaining and renewing existing assets, as well as the extent of asset expansion.

2. National Treasury has suggested that municipalities should allocate at least 40% of their capital budget to the renewal/rehabilitation of existing assets, and allocations to repairs and maintenance should be 8% of PPE. In this regard the expenditure relating to the renewal/rehabilitation of existing assets amounts to 65.6% of the capital budget, whilst repairs and maintenance constitute 3,7% of PPE.

**Table 18 (Table A10 - Basic Service Delivery Measurement)**

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Household service targets</b>									
<b><u>Water:</u></b>									
Piped water inside dwelling	211,120	265,000	205,877	309,096	309,096	309,096	333,824	360,530	389,372
Piped water inside yard (but not in dwelling)	5,500	7,000	7,500	8,164	8,164	8,164	8,817	9,522	10,284
Using public tap (at least min.service level)	29,000	65,000	70,000	75,816	75,816	75,816	81,881	88,432	95,506
Other water supply (at least min.service level)			–						
<i>Minimum Service Level and Above sub-total</i>	245,620	337,000	283,377	393,076	393,076	393,076	424,522	458,484	495,162
No water supply	34,380								
<i>Below Minimum Service Level sub-total</i>	34,380	–	–	–	–	–	–	–	–
<b>Total number of households</b>	<b>280,000</b>	<b>337,000</b>	<b>283,377</b>	<b>393,076</b>	<b>393,076</b>	<b>393,076</b>	<b>424,522</b>	<b>458,484</b>	<b>495,162</b>
<b><u>Sanitation/sewerage:</u></b>									
Flush toilet (connected to sewerage)	216,700	256,000	275,000	298,598	298,598	298,598	322,486	348,285	376,147
Flush toilet (with septic tank)	300	3,000	3,000	2,980	2,980	2,980	3,218	3,476	3,754
<i>Minimum Service Level and Above sub-total</i>	217,000	259,000	278,000	301,578	301,578	301,578	325,704	351,761	379,901
Bucket toilet	39,000	22,000	22,500	21,859	21,859	21,859	23,608	25,496	27,536
<i>Below Minimum Service Level sub-total</i>	39,000	22,000	22,500	21,859	21,859	21,859	23,608	25,496	27,536
<b>Total number of households</b>	<b>256,000</b>	<b>281,000</b>	<b>300,500</b>	<b>323,437</b>	<b>323,437</b>	<b>323,437</b>	<b>349,312</b>	<b>377,257</b>	<b>407,437</b>
<b><u>Energy:</u></b>									
Electricity (at least min.service level)	37,520	36,000	32,010	35,000	35,000	35,000	27,500	27,500	27,500
Electricity - prepaid (min.service level)	227,095	232,000	361,740	236,000	236,000	236,000	277,000	277,000	277,000
<i>Minimum Service Level and Above sub-total</i>	264,615	268,000	393,750	271,000	271,000	271,000	304,500	304,500	304,500
<b>Total number of households</b>	<b>264,615</b>	<b>268,000</b>	<b>393,750</b>	<b>271,000</b>	<b>271,000</b>	<b>271,000</b>	<b>304,500</b>	<b>304,500</b>	<b>304,500</b>
<b><u>Refuse:</u></b>									
Removed at least once a week	170,102	172,000	137,561	275,083	275,083	275,083	297,090	297,020	297,020
<i>Minimum Service Level and Above sub-total</i>	170,102	172,000	137,561	275,083	275,083	275,083	297,090	297,090	297,090
Removed less frequently than once a week	7,400	9,000	13,428						

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
No rubbish disposal	886	3,000	2,371	1,191	1,191	1,191	1,096	1,096	1,096
<i>Below Minimum Service Level sub-total</i>	8,286	12,000	15,799	1,191	1,191	1,191	1,096	1,096	1,096
<b>Total number of households</b>	<b>178,388</b>	<b>184,000</b>	<b>153,360</b>	<b>276,274</b>	<b>276,274</b>	<b>276,274</b>	<b>298,185</b>	<b>298,185</b>	<b>298,185</b>

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b><u>Households receiving Free Basic Service</u></b>									
Water (6 kilolitres per household per month)	108,000	115,000	79,035	85,156	75,241	75,241	74,867	75,166	75,467
Sanitation (free minimum level service)	108,000	115,000	79,035	85,156	75,241	75,241	74,867	75,166	75,467
Electricity/other energy (50kwh per household per month)	99,000	105,000	79,035	85,156	67,800	67,800	67,158	67,427	67,696
Refuse (removed at least once a week)	80,000	83,000	79,035	78,705	70,321	70,321	68,485	68,759	69,034
<b><u>Cost of Free Basic Services provided (R'000)</u></b>									
Water (6 kilolitres per household per month)	42,114	45,483	45,313	20,258	59,834	59,834	50,703	57,801	66,471
Sanitation (free sanitation service)	57,141	61,998	63,862	56,071	55,145	55,145	88,171	100,515	115,592
Electricity/other energy (50kwh per household per month)	52,691	66,313	34,058	49,110	41,882	41,882	32,067	35,589	39,493
Refuse (removed once a week)	39,830	43,016	44,765	52,618	53,046	53,046	60,177	68,602	78,892
<b>Total cost of FBS provided (minimum social package)</b>	<b>191,776</b>	<b>216,810</b>	<b>187,997</b>	<b>178,057</b>	<b>209,907</b>	<b>209,907</b>	<b>231,118</b>	<b>262,507</b>	<b>300,449</b>
<b><u>Highest level of free service provided</u></b>									
Property rates (R value threshold)		42,700	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Water (kilolitres per household per month)		45,483	8	8	8	8	8	8	8
Sanitation (kilolitres per household per month)		115	11	11	11	11	11	11	11
Sanitation (Rand per household per month)		61,998	77	86	62	62	98	111	125
Electricity (kwh per household per month)		75	75	75	75	75	75	75	75
Refuse (average litres per week)		85	85	85	200	200	200	200	200
<b><u>Revenue cost of free services provided (R'000)</u></b>									
Property rates (R15 000 threshold rebate)	14,518	16,170	18,264	18,419	20,599	20,599	23,112	26,106	29,500
Property rates (other exemptions, reductions and rebates)	25,019	26,530	26,740	49,717	31,742	31,742	35,884	35,677	41,551
Water	42,114	45,483	60,418	67,728	59,301	59,301	67,604	77,068	88,628
Sanitation	57,141	61,998	63,862	56,071	77,343	77,343	88,171	100,515	115,592
Electricity/other energy	52,691	66,313	51,765	49,110	42,703	42,703	48,100	53,384	59,240
Refuse	39,830	48,677	44,765	52,618	52,787	52,787	60,177	68,602	78,892
<b>Total revenue cost of free services provided (total social package)</b>	<b>231,313</b>	<b>265,171</b>	<b>265,134</b>	<b>293,663</b>	<b>284,475</b>	<b>284,475</b>	<b>323,048</b>	<b>361,352</b>	<b>413,403</b>

## Explanatory notes to Table A10 - Basic Service Delivery Measurement

- Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.

### 1.8 Consolidated Budget Tables

The ten main budget tables, as required in terms of the Municipal Budget and Reporting Regulations, are included in this section. These tables set out the Municipality's and the Entity's 2012/13 budget and MTREF to be noted by Council.

**Table 19 (Table A1 –Consolidated Budget Summary)**

Description	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Financial Performance</b>										
Property rates	659,777	756,499	838,855	961,565	961,565	961,565	961,565	1,074,628	1,214,336	1,372,205
Service charges	2,169,774	2,549,064	3,122,678	3,648,779	3,540,253	3,540,253	3,540,253	3,950,854	4,436,133	5,006,009
Investment revenue	169,411	65,323	19,252	23,757	30,500	30,500	30,500	28,028	29,359	30,883
Transfers recognised - operational	1,021,086	1,458,570	1,365,737	1,384,487	1,234,094	1,234,094	1,234,094	1,404,746	1,073,480	1,163,408
Other own revenue	335,976	397,335	529,556	348,367	812,571	812,571	812,571	829,677	900,063	952,206
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>4,356,024</b>	<b>5,226,792</b>	<b>5,876,077</b>	<b>6,366,955</b>	<b>6,578,984</b>	<b>6,578,984</b>	<b>6,578,984</b>	<b>7,287,933</b>	<b>7,653,371</b>	<b>8,524,712</b>
Employee costs	1,286,491	1,629,721	1,893,082	1,866,226	1,849,869	1,849,869	1,849,869	1,852,486	1,990,685	2,171,533
Remuneration of councillors	41,255	44,886	45,053	51,084	51,084	51,084	51,084	54,583	60,041	66,645
Depreciation & asset impairment	407,147	546,632	571,232	689,301	720,280	720,280	720,280	736,327	711,752	657,140
Finance charges	82,503	113,367	177,630	221,117	215,312	215,312	215,312	203,317	191,908	181,246
Materials and bulk purchases	1,323,835	1,645,500	1,990,779	2,390,218	2,402,532	2,402,532	2,402,532	2,749,073	3,097,146	3,494,920
Transfers and grants	184,882	283,059	296,231	417,961	370,961	370,961	370,961	346,375	390,862	444,377
Other expenditure	898,960	1,393,259	1,448,655	985,213	1,334,786	1,334,786	1,334,786	1,665,577	1,332,097	1,436,540
<b>Total Expenditure</b>	<b>4,225,073</b>	<b>5,656,423</b>	<b>6,422,661</b>	<b>6,621,119</b>	<b>6,944,823</b>	<b>6,944,823</b>	<b>6,944,823</b>	<b>7,607,737</b>	<b>7,774,490</b>	<b>8,452,402</b>
<b>Surplus/(Deficit)</b>	<b>130,951</b>	<b>(429,632)</b>	<b>(546,584)</b>	<b>(254,165)</b>	<b>(365,840)</b>	<b>(365,840)</b>	<b>(365,840)</b>	<b>(319,804)</b>	<b>(121,119)</b>	<b>72,310</b>
Transfers recognised - capital	926,614	937,373	438,055	1,249,467	1,025,431	1,025,431	1,025,431	1,490,375	1,344,088	1,453,349
Contributions recognised - capital & contributed assets	–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>1,057,565</b>	<b>507,741</b>	<b>(108,529)</b>	<b>995,302</b>	<b>659,591</b>	<b>659,591</b>	<b>659,591</b>	<b>1,170,571</b>	<b>1,222,969</b>	<b>1,525,659</b>
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) for the year</b>	<b>1,057,565</b>	<b>507,741</b>	<b>(108,529)</b>	<b>995,302</b>	<b>659,591</b>	<b>659,591</b>	<b>659,591</b>	<b>1,170,571</b>	<b>1,222,969</b>	<b>1,525,659</b>
<b>Capital expenditure &amp; funds sources</b>										
<b>Capital expenditure</b>	<b>2,825,767</b>	<b>2,321,134</b>	<b>1,567,555</b>	<b>1,406,732</b>	<b>1,325,827</b>	<b>1,325,827</b>	<b>1,325,827</b>	<b>1,852,803</b>	<b>1,727,116</b>	<b>1,852,565</b>
Transfers recognised - capital	1,643,032	956,989	512,292	1,249,467	1,040,506	1,040,506	1,040,506	1,490,374	1,344,088	1,453,349
Public contributions & donations	23,348	94,452	17,802	38,000	43,000	43,000	43,000	23,000	33,500	33,500
Borrowing	563,075	745,200	470,000	–	–	–	–	–	–	–



Description	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Internally generated funds	596,311	524,493	567,461	169,265	242,321	242,321	242,321	339,429	349,528	365,716
<b>Total sources of capital funds</b>	<b>2,825,767</b>	<b>2,321,134</b>	<b>1,567,555</b>	<b>1,456,732</b>	<b>1,325,827</b>	<b>1,325,827</b>	<b>1,325,827</b>	<b>1,852,803</b>	<b>1,727,116</b>	<b>1,852,565</b>

Description	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Financial position</b>										
Total current assets	2,156,106	2,024,194	1,440,472	1,500,353	1,840,609	1,840,609	1,840,609	1,473,609	1,564,075	1,877,858
Total non current assets	9,546,843	11,385,478	12,351,503	12,911,752	13,017,769	13,017,769	13,017,769	14,136,965	15,153,599	16,350,304
Total current liabilities	2,080,315	2,035,885	1,867,522	1,474,867	1,799,233	1,799,233	1,799,233	1,756,309	1,838,152	1,926,896
Total non current liabilities	1,224,968	2,467,722	3,126,917	2,946,397	2,951,548	2,951,548	2,951,548	3,040,479	3,060,694	3,095,576
Community wealth/Equity	8,397,665	8,906,065	8,797,536	9,990,840	10,107,596	10,107,596	10,107,596	10,813,786	11,818,829	13,205,691
<b>Cash flows</b>										
Net cash from (used) operating	1,367,100	1,012,482	933,208	1,660,226	1,755,348	1,755,348	1,755,348	1,487,377	1,885,846	2,215,027
Net cash from (used) investing	(2,303,772)	(2,379,759)	(1,499,938)	(1,409,894)	(1,382,646)	(1,382,646)	(1,382,646)	(1,785,873)	(1,730,484)	(1,830,867)
Net cash from (used) financing	(68,054)	1,112,788	380,950	(89,696)	(89,543)	(89,543)	(89,543)	(100,719)	(106,159)	(113,968)
<b>Cash/cash equivalents at the year end</b>	<b>926,301</b>	<b>671,811</b>	<b>486,031</b>	<b>458,748</b>	<b>788,806</b>	<b>788,806</b>	<b>788,806</b>	<b>381,758</b>	<b>430,962</b>	<b>701,155</b>
<b>Cash backing/surplus reconciliation</b>										
Cash and investments available	927,008	672,747	487,159	458,768	788,826	788,826	788,826	381,778	430,982	701,175
Application of cash and investments	1,248,195	1,308,912	1,095,437	541,834	735,803	735,803	688,803	579,304	616,278	676,324
<b>Balance - surplus (shortfall)</b>	<b>(321,186)</b>	<b>(636,165)</b>	<b>(608,277)</b>	<b>(83,066)</b>	<b>53,023</b>	<b>53,023</b>	<b>100,023</b>	<b>(197,526)</b>	<b>(185,296)</b>	<b>24,851</b>
<b>Asset management</b>										
Asset register summary (WDV)	9,451,369	11,304,880	12,290,587	12,848,233	12,954,250	12,954,250	14,071,945	14,071,945	15,088,579	16,285,284
Depreciation & asset impairment	407,147	546,632	571,232	689,301	720,280	720,280	736,327	736,327	711,752	657,140
Renewal of Existing Assets	190,818	-	268,333	287,900	513,158	513,158	513,158	1,182,409	1,123,995	1,446,326
Repairs and Maintenance	381,616	408,104	415,638	458,472	458,404	458,404	498,534	498,534	537,139	579,164
<b>Free services</b>										
Cost of Free Basic Services provided	191,776	216,810	-	178,057	209,907	209,907	231,118	231,118	262,507	300,449
Revenue cost of free services provided	231,313	265,171	-	293,663	284,475	284,475	323,048	323,048	361,352	413,403
<b>Households below minimum service level</b>										
Water:	34	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	39	22	-	22	22	22	24	24	25	28
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	8	12	-	1	1	1	-	-	-	-

**Table 20 (Table A2 –Consolidated Budget Financial Performance)**

Standard Classification Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b><u>Revenue - Standard</u></b>									
<i>Governance and administration</i>	3,894,486	2,863,148	3,348,253	3,359,651	3,473,936	3,473,936	3,803,021	4,188,942	4,578,000
Executive and council	1,952,661	1,538,345	1,683,291	1,689,573	1,747,018	1,747,018	1,909,497	2,102,708	2,297,599
Budget and treasury office	545,117	–	25,087	10	10	10	7	7	7
Corporate services	1,396,709	1,324,803	1,639,876	1,670,069	1,726,908	1,726,908	1,893,517	2,086,227	2,280,394
<i>Community and public safety</i>	657,185	1,021,733	654,434	238,915	964,950	964,950	908,964	111,206	117,881
Community and social services	398,762	597,748	390,349	189,745	555,488	555,488	481,187	81,762	86,670
Sport and recreation	–	–	–	–	–	–	–	–	–
Public safety	60,744	21,156	16,677	42,316	52,057	52,057	26,340	27,921	29,597
Housing	–	894	237	955	955	955	1,012	1,073	1,138
Health	197,679	401,935	247,171	5,899	356,450	356,450	400,425	450	477
<i>Economic and environmental services</i>	273,359	744,968	531,515	868,894	674,873	674,873	1,247,885	1,025,374	1,187,649
Planning and development	273,359	744,968	531,587	868,894	674,723	674,723	1,247,685	1,025,162	1,187,424
Road transport	–	–	–	–	–	–	–	–	–
Environmental protection	–	–	(72)	–	150	150	200	212	225
<i>Trading services</i>	2,645,188	3,169,800	3,773,971	4,855,667	4,619,771	4,619,771	5,126,786	5,773,979	6,391,689
Electricity	2,645,188	3,149,277	3,706,926	4,855,650	4,619,754	4,619,754	5,126,786	5,773,979	6,391,689
Water	–	–	–	–	–	–	–	–	–
Waste water management	–	20,523	67,045	17	17	17	–	–	–
Waste management	–	–	–	–	–	–	–	–	–
<i>Other</i>	180,769	194,084	201,674	248,347	226,830	226,830	254,631	285,657	323,082
<b>Total Revenue - Standard</b>	<b>7,650,987</b>	<b>7,993,734</b>	<b>8,509,847</b>	<b>9,571,474</b>	<b>9,960,360</b>	<b>9,960,360</b>	<b>11,341,287</b>	<b>11,385,157</b>	<b>12,598,301</b>
<b><u>Expenditure - Standard</u></b>									
<i>Governance and administration</i>	1,578,846	2,076,976	1,892,034	1,584,631	1,674,808	1,674,808	1,811,964	1,898,099	2,023,313
Executive and council	803,788	1,308,361	1,127,638	978,127	1,071,123	1,071,123	1,163,667	1,222,060	1,289,610
Budget and treasury office	173,874	–	21,979	42,699	33,154	33,154	43,559	42,480	45,606
Corporate services	601,184	768,615	742,417	563,805	570,531	570,531	604,737	633,559	688,097

Standard Classification Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<i>Community and public safety</i>	1,398,194	1,552,792	1,762,145	1,145,702	1,713,525	1,713,525	1,987,860	1,247,940	1,317,659
Community and social services	905,107	1,039,877	1,236,597	930,311	1,168,955	1,168,955	1,308,318	952,536	1,004,395
Sport and recreation	–	–	–	–	–	–	–	–	–
Public safety	219,927	35,341	156,012	146,248	119,975	119,975	206,422	216,122	227,095
Housing	–	43,472	26,939	34,816	34,645	34,645	40,303	43,511	46,958
Health	273,160	434,102	342,597	34,328	389,950	389,950	432,818	35,771	39,210
<i>Economic and environmental services</i>	409,176	837,369	627,107	1,016,361	867,835	867,835	1,029,859	1,062,500	1,104,858
Planning and development	409,176	834,709	624,722	1,013,803	865,049	865,049	1,026,774	1,059,160	1,101,225
Road transport	–	–	–	–	–	–	–	–	–
Environmental protection	–	2,660	2,385	2,558	2,785	2,785	3,085	3,340	3,633
<i>Trading services</i>	2,099,238	2,478,978	3,554,957	3,823,322	3,954,254	3,954,254	4,288,450	4,744,310	5,285,918
Electricity	2,099,238	2,420,633	3,423,377	3,647,871	3,775,593	3,775,593	4,094,873	4,526,556	5,040,656
Water	–	–	–	–	–	–	–	–	–
Waste water management	–	55,418	128,254	169,625	173,835	173,835	187,858	211,540	238,468
Waste management	–	2,926	3,325	5,827	4,826	4,826	5,719	6,215	6,794
<i>Other</i>	188,423	144,615	271,981	232,132	289,959	289,959	306,705	334,129	366,037
Total Expenditure - Standard	5,673,876	7,090,729	8,108,225	7,802,149	8,500,379	8,500,379	9,424,838	9,286,978	10,097,784
Surplus/(Deficit) for the year	1,977,112	903,005	401,623	1,769,325	1,459,980	1,459,980	1,916,448	2,098,179	2,500,516

**Table 21 (Table A3 –Consolidated Budget Financial Performance by Vote)**

Vote Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Revenue by Vote</b>									
Budget and Treasury	1,396,709	1,324,803	1,639,901	1,670,081	1,726,921	1,726,921	1,893,531	2,086,241	2,280,410
Public Health	285,943	307,594	284,783	371,447	358,135	358,135	261,287	292,713	330,562
Human Settlements	197,679	401,935	263,368	115,661	473,211	473,211	587,238	209,868	216,746
Economic Development and Recreational Services	73,411	127,368	113,563	183,656	175,550	175,550	162,124	161,092	170,724
Corporate Services	13,264	12,005	10,668	11,933	13,574	13,574	8,828	9,096	9,381
Rate and General Engineers	250,629	734,282	310,921	538,358	309,577	309,577	831,404	632,411	781,503
Water Services	525,467	635,800	784,691	1,094,200	921,991	921,991	969,301	1,084,248	1,024,637
Sanitation Services	355,944	375,721	374,859	554,189	545,107	545,107	766,917	880,759	1,089,563
Electricity and Energy	1,583,009	1,943,671	2,345,615	2,958,915	2,925,827	2,925,827	3,135,937	3,523,315	3,954,407
Executive and Council	498,110	10,887	5,537	1,636	1,774	1,774	658	502	528
Safety and Security	55,466	52,139	43,031	45,540	44,661	44,661	53,796	57,024	60,446
Nelson Mandela Bay Stadium	17,274	191,220	87,724	–	62,000	62,000	37,000	37,000	37,000

Vote Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Strategic Programmes Directorate	29,733	46,738	49,471	70,805	46,087	46,087	70,286	23,191	22,157
<b>Total Revenue by Vote</b>	<b>5,282,638</b>	<b>6,164,164</b>	<b>6,314,132</b>	<b>7,616,422</b>	<b>7,604,415</b>	<b>7,604,415</b>	<b>8,778,307</b>	<b>8,997,459</b>	<b>9,978,061</b>
<b>Expenditure by Vote to be appropriated</b>									
Budget and Treasury	601,184	768,615	725,772	541,437	549,582	549,582	581,738	608,882	661,519
Public Health	506,369	852,515	646,547	712,821	728,161	728,161	636,714	676,899	716,081
Human Settlements	273,160	434,102	446,336	137,041	488,024	488,024	540,692	151,256	164,384
Economic Development and Recreational Services	227,691	231,122	267,089	479,484	414,178	414,178	421,669	414,168	423,825
Corporate Services	48,286	218,543	262,883	237,239	355,712	355,712	368,453	385,828	383,415
Rate and General Engineers	211,198	274,859	244,138	472,828	320,459	320,459	552,889	608,645	649,275
Water Services	377,979	529,530	664,564	491,633	476,831	476,831	533,656	580,732	638,650
Sanitation Services	255,792	261,769	340,166	385,192	382,279	382,279	407,114	435,118	471,405
Electricity and Energy	1,277,045	1,484,720	2,119,457	2,491,320	2,531,635	2,531,635	2,803,620	3,130,847	3,516,942
Executive and Council	123,321	169,065	160,321	202,171	194,843	194,843	216,886	228,926	246,421
Safety and Security	272,496	270,619	376,367	346,276	344,651	344,651	365,015	390,582	423,605
Nelson Mandela Bay Stadium	20,852	131,203	131,644	88,939	130,708	130,708	143,523	140,353	133,279
Strategic Programmes Directorate	29,701	29,762	37,376	34,739	27,761	27,761	35,767	22,254	23,601
<b>Total Expenditure by Vote</b>	<b>4,225,073</b>	<b>5,656,423</b>	<b>6,422,661</b>	<b>6,621,119</b>	<b>6,944,823</b>	<b>6,944,823</b>	<b>7,607,737</b>	<b>7,774,490</b>	<b>8,452,402</b>
<b>Surplus/(Deficit) for the year</b>	<b>1,057,565</b>	<b>507,741</b>	<b>(108,529)</b>	<b>995,302</b>	<b>659,591</b>	<b>659,591</b>	<b>1,170,571</b>	<b>1,222,969</b>	<b>1,525,659</b>

**Table 22 (Table A4 –Consolidated Budget Financial Performance Revenue and Expenditure)**

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Revenue By Source</b>									
Property rates	659,777	756,499	838,855	961,565	961,565	961,565	1,074,628	1,214,336	1,372,205
Service charges - electricity revenue	1,502,271	1,807,640	2,185,428	2,753,364	2,718,364	2,718,364	3,028,384	3,393,651	3,817,477
Service charges - water revenue	344,730	407,918	569,883	465,383	402,068	402,068	455,547	514,768	586,836
Service charges - sanitation revenue	226,507	228,020	246,692	295,170	283,094	283,094	312,033	352,598	401,961
Service charges - refuse revenue	96,266	105,486	120,675	134,861	136,727	136,727	154,890	175,117	199,735

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Rental of facilities and equipment	14,667	15,545	17,641	18,791	18,431	18,431	19,820	20,992	22,235
Interest earned - external investments	169,411	65,323	19,252	23,757	30,500	30,500	28,028	29,359	30,883
Interest earned - outstanding debtors	92,041	82,762	113,347	78,993	81,993	81,993	86,913	92,128	97,655
Fines	27,533	23,415	23,736	24,998	24,119	24,119	32,328	34,268	36,324
Licences and permits	8,552	8,242	8,153	7,399	7,399	7,399	9,014	9,555	10,129
Agency services	1,152	1,220	1,611	1,402	1,402	1,402	1,400	1,484	1,573
Transfers recognised - operational	1,021,086	1,458,570	1,365,737	1,384,487	1,234,094	1,234,094	1,404,746	1,073,480	1,163,408
Other revenue	191,918	266,150	363,371	216,784	679,227	679,227	680,201	741,636	784,290
Gains on disposal of PPE	114		1,698						
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>4,356,024</b>	<b>5,226,792</b>	<b>5,876,077</b>	<b>6,366,955</b>	<b>6,578,984</b>	<b>6,578,984</b>	<b>7,287,933</b>	<b>7,653,371</b>	<b>8,524,712</b>
<b>Expenditure By Type</b>									
Employee related costs	1,286,491	1,629,721	1,893,082	1,866,226	1,849,869	1,849,869	1,852,486	1,990,685	2,171,533
Remuneration of councillors	41,255	44,886	45,053	51,084	51,084	51,084	54,583	60,041	66,645
Debt impairment	175,618	419,470	554,275	288,147	282,151	282,151	251,279	281,485	316,116
Depreciation & asset impairment	407,147	546,632	571,232	689,301	720,280	720,280	736,327	711,752	657,140
Finance charges	82,503	113,367	177,630	221,117	215,312	215,312	203,317	191,908	181,246
Bulk purchases	941,832	1,237,381	1,575,087	1,931,746	1,944,128	1,944,128	2,250,539	2,560,006	2,915,757
Other materials	382,003	408,118	415,692	458,472	458,404	458,404	498,534	537,139	579,164
Contracted services	94,976	147,765	144,271	269,675	194,661	194,661	423,603	469,234	507,980
Transfers and grants	184,882	283,059	296,231	417,961	370,961	370,961	346,375	390,862	444,377
Other expenditure	620,828	823,092	745,052	427,391	857,974	857,974	990,694	581,378	612,444
Loss on disposal of PPE	7,538	2,933	5,057			-			
<b>Total Expenditure</b>	<b>4,225,073</b>	<b>5,656,423</b>	<b>6,422,661</b>	<b>6,621,119</b>	<b>6,944,823</b>	<b>6,944,823</b>	<b>7,607,737</b>	<b>7,774,490</b>	<b>8,452,402</b>
<b>Surplus/(Deficit)</b>	<b>130,951</b>	<b>(429,632)</b>	<b>(546,584)</b>	<b>(254,165)</b>	<b>(365,840)</b>	<b>(365,840)</b>	<b>(319,804)</b>	<b>(121,119)</b>	<b>72,310</b>
Transfers recognised - capital	926,614	937,373	438,055	1,249,467	1,025,431	1,025,431	1,490,375	1,344,088	1,453,349
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>1,057,565</b>	<b>507,741</b>	<b>(108,529)</b>	<b>995,302</b>	<b>659,591</b>	<b>659,591</b>	<b>1,170,571</b>	<b>1,222,969</b>	<b>1,525,659</b>
Taxation									
<b>Surplus/(Deficit) after taxation</b>	<b>1,057,565</b>	<b>507,741</b>	<b>(108,529)</b>	<b>995,302</b>	<b>659,591</b>	<b>659,591</b>	<b>1,170,571</b>	<b>1,222,969</b>	<b>1,525,659</b>
Attributable to minorities									
<b>Surplus/(Deficit) attributable to municipality</b>	<b>1,057,565</b>	<b>507,741</b>	<b>(108,529)</b>	<b>995,302</b>	<b>659,591</b>	<b>659,591</b>	<b>1,170,571</b>	<b>1,222,969</b>	<b>1,525,659</b>
Share of surplus/ (deficit) of associate									
<b>Surplus/(Deficit) for the year</b>	<b>1,057,565</b>	<b>507,741</b>	<b>(108,529)</b>	<b>995,302</b>	<b>659,591</b>	<b>659,591</b>	<b>1,170,571</b>	<b>1,222,969</b>	<b>1,525,659</b>

**Table 23 (Table A5 –Consolidated Budget Capital Expenditure – Standard Classification)**

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Capital expenditure - Vote</b>									
<b>Multi-year expenditure, to be appropriated</b>									
Vote 1 - Budget and Treasury	27,306	51,396	55,769	54,965	27,865	27,865	10,480	10,300	10,350
Vote 2 - Public Health	94,182	81,242	108,310	25,094	41,706	41,706	20,000	20,000	20,000
Vote 3 - Human Settlements	57,683	79,531	–	90,000	102,000	102,000	165,868	185,336	186,928
Vote 4 - Economic Development and Recreational Services	193,181	262,649	243,606	78,725	152,543	152,543	67,042	65,590	85,216
Vote 5 - Corporate Services	69,411	46,471	88,482	30,500	36,339	36,339	23,200	22,000	22,600
Vote 6 - Rate and General Engineers	907,170	976,761	587,299	395,300	299,162	299,162	693,000	466,217	578,184
Vote 7 - Water Services	188,807	215,412	145,187	473,000	410,000	410,000	399,906	439,850	295,950
Vote 8 - Sanitation Services	111,993	131,950	125,357	116,373	118,723	118,723	288,600	345,800	480,900
Vote 9 - Electricity and Energy	257,520	217,874	170,849	86,000	86,000	86,000	121,807	154,623	155,937
Vote 10 - Executive and Council	15,650	6,199	7,541	12,000	12,000	12,000	11,200	10,000	11,500
Vote 11 - Safety and Security	44,256	88,929	16,998	6,500	4,809	4,809	5,700	5,000	5,000
Vote 12 - Nelson Mandela Bay Stadium	843,000	141,600	–	–	–	–	–	–	–
Vote 13 - Strategic Programmes Directorate	15,607	21,119	18,157	38,275	34,680	34,680	46,000	2,400	–
Vote 14 - [NAME OF VOTE 14]	–	–	–	–	–	–	–	–	–
Vote 15 - [NAME OF VOTE 15]	–	–	–	–	–	–	–	–	–
<b>Capital multi-year expenditure sub-total</b>	<b>2,825,767</b>	<b>2,321,134</b>	<b>1,567,555</b>	<b>1,406,732</b>	<b>1,325,827</b>	<b>1,325,827</b>	<b>1,852,803</b>	<b>1,727,116</b>	<b>1,852,565</b>
<b>Capital Expenditure - Standard</b>									
<b>Governance and administration</b>	<b>112,367</b>	<b>282,017</b>	<b>151,792</b>	<b>97,465</b>	<b>76,204</b>	<b>76,204</b>	<b>44,880</b>	<b>42,300</b>	<b>44,450</b>
Executive and council	15,650	6,199	7,541	12,000	12,000	12,000	11,200	10,000	11,500
Budget and treasury office	27,306	112,710	55,769	54,965	27,865	27,865	10,480	10,300	10,350
Corporate services	69,411	163,109	88,482	30,500	36,339	36,339	23,200	22,000	22,600
<b>Community and public safety</b>	<b>360,930</b>	<b>440,575</b>	<b>221,070</b>	<b>112,094</b>	<b>143,698</b>	<b>143,698</b>	<b>190,468</b>	<b>203,836</b>	<b>221,928</b>
Community and social services	164,809	35,465	42,170	3,000	3,000	3,000	8,000	7,500	10,000
Sport and recreation		376,238	151,209	9,000	28,225	28,225	9,900	6,000	20,000
Public safety	44,256	2,670	16,998	6,500	4,809	4,809	5,700	5,000	5,000
Housing	57,683	–	–	90,000	102,000	102,000	165,868	185,336	186,928
Health	94,182	26,203	10,694	3,594	5,664	5,664	1,000	–	–
<b>Economic and environmental services</b>	<b>951,149</b>	<b>949,948</b>	<b>660,435</b>	<b>511,300</b>	<b>468,251</b>	<b>468,251</b>	<b>801,142</b>	<b>535,202</b>	<b>648,795</b>
Planning and development	43,979	93,238	68,216	105,000	118,997	118,997	95,142	54,490	55,216
Road transport	907,170	856,710	587,299	395,300	336,162	336,162	693,000	466,217	578,184
Environmental protection			4,920	11,000	13,092	13,092	13,000	14,495	15,395
<b>Trading services</b>	<b>558,321</b>	<b>648,593</b>	<b>534,091</b>	<b>685,873</b>	<b>637,673</b>	<b>637,673</b>	<b>816,313</b>	<b>945,778</b>	<b>937,392</b>

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Electricity	257,520	333,489	170,849	86,000	86,000	86,000	121,807	154,623	155,937
Water	188,807	197,870	145,187	473,000	410,000	410,000	399,906	439,850	295,950
Waste water management	111,993	117,234	125,357	116,373	118,723	118,723	288,600	345,800	480,900
Waste management			92,697	10,500	22,950	22,950	6,000	5,505	4,605
<i>Other</i>	<b>843,000</b>		<b>168</b>						
<b>Total Capital Expenditure - Standard</b>	<b>2,825,767</b>	<b>2,321,134</b>	<b>1,567,555</b>	<b>1,406,732</b>	<b>1,325,827</b>	<b>1,325,827</b>	<b>1,852,803</b>	<b>1,727,116</b>	<b>1,852,565</b>
<b>Funded by:</b>									
National Government	1,585,935	956,989	481,969	1,246,467	1,037,506	1,037,506	1,255,374	1,059,088	1,293,349
Provincial Government	57,097		8,304	–					
District Municipality				–					
Other transfers and grants			22,019	3,000	3,000	3,000	235,000	285,000	160,000
Transfers recognised - capital	<b>1,643,032</b>	<b>956,989</b>	<b>512,292</b>	<b>1,249,467</b>	<b>1,040,506</b>	<b>1,040,506</b>	<b>1,490,374</b>	<b>1,344,088</b>	<b>1,453,349</b>
Public contributions & donations	23,348	94,452	17,802	38,000	43,000	43,000	23,000	33,500	33,500
Borrowing	563,075	745,200	470,000	–			–	–	–
Internally generated funds	596,311	524,493	567,461	169,265	242,321	242,321	339,429	349,528	365,716
<b>Total Capital Funding</b>	<b>2,825,767</b>	<b>2,321,134</b>	<b>1,567,555</b>	<b>1,456,732</b>	<b>1,325,827</b>	<b>1,325,827</b>	<b>1,852,803</b>	<b>1,727,116</b>	<b>1,852,565</b>

**Table 24 (Table A6 –Consolidated Budget Financial Position)**

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>ASSETS</b>									
<b>Current assets</b>									
Cash	141,424	166,404	189,039	200,000	200,130	200,130	200,712	200,924	201,030
Call investment deposits	784,877	506,343	298,120	258,748	588,676	588,676	181,046	230,038	500,125
Consumer debtors	867,462	599,488	446,368	761,585	546,368	546,368	580,516	616,798	655,348
Other debtors	230,467	616,938	392,172	180,000	390,715	390,715	391,215	391,195	391,235
Current portion of long-term receivables	647	34	13	20	20	20	20	20	20
Inventory	131,228	134,987	114,759	100,000	114,700	114,700	120,100	125,100	130,100
<b>Total current assets</b>	<b>2,156,106</b>	<b>2,024,194</b>	<b>1,440,472</b>	<b>1,500,353</b>	<b>1,840,609</b>	<b>1,840,609</b>	<b>1,473,609</b>	<b>1,564,075</b>	<b>1,877,858</b>
<b>Non current assets</b>									
Long-term receivables	93,972	80,529	61,454	63,499	63,499	63,499	65,000	65,000	65,000
Investments	707	–	–	20	20	20	20	20	20
Investment property	1,865,722	70,763	71,231		71,231	71,231	71,231	71,231	71,231
Investment in Associate	795	69	(538)						

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Property, plant and equipment	7,260,666	10,822,514	11,788,816	12,447,162	12,451,620	12,451,620	13,569,215	14,585,759	15,782,384
<b>ASSETS</b>									
Agricultural									
Biological									
Intangible	324,982	411,602	430,540	401,071	431,399	431,399	431,499	431,589	431,669
Other non-current assets									
<b>Total non current assets</b>	<b>9,546,843</b>	<b>11,385,478</b>	<b>12,351,503</b>	<b>12,911,752</b>	<b>13,017,769</b>	<b>13,017,769</b>	<b>14,136,965</b>	<b>15,153,599</b>	<b>16,350,304</b>
<b>TOTAL ASSETS</b>	<b>11,702,949</b>	<b>13,409,672</b>	<b>13,791,975</b>	<b>14,412,104</b>	<b>14,858,378</b>	<b>14,858,378</b>	<b>15,610,574</b>	<b>16,717,675</b>	<b>18,228,163</b>
<b>LIABILITIES</b>									
<b>Current liabilities</b>									
Bank overdraft									–
Borrowing	52,291	92,824	93,116	98,682	97,444	97,444	105,159	112,968	104,093
Consumer deposits	77,115	79,850	111,125	82,585	82,585	82,585	113,500	114,500	115,500
Trade and other payables	1,907,302	1,814,484	1,560,401	1,240,000	1,565,604	1,565,604	1,452,170	1,520,084	1,611,277
Provisions	43,607	48,727	102,880	53,600	53,600	53,600	85,480	90,600	96,026
<b>Total current liabilities</b>	<b>2,080,315</b>	<b>2,035,885</b>	<b>1,867,522</b>	<b>1,474,867</b>	<b>1,799,233</b>	<b>1,799,233</b>	<b>1,756,309</b>	<b>1,838,152</b>	<b>1,926,896</b>

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Non current liabilities</b>									
Borrowing	388,173	1,461,016	1,842,888	1,729,021	1,734,172	1,734,172	1,629,013	1,516,045	1,411,952
Provisions	836,795	1,006,706	1,284,029	1,217,376	1,217,376	1,217,376	1,411,466	1,544,649	1,683,624
<b>Total non current liabilities</b>	<b>1,224,968</b>	<b>2,467,722</b>	<b>3,126,917</b>	<b>2,946,397</b>	<b>2,951,548</b>	<b>2,951,548</b>	<b>3,040,479</b>	<b>3,060,694</b>	<b>3,095,576</b>
<b>TOTAL LIABILITIES</b>	<b>3,305,283</b>	<b>4,503,607</b>	<b>4,994,439</b>	<b>4,421,264</b>	<b>4,750,781</b>	<b>4,750,781</b>	<b>4,796,788</b>	<b>4,898,846</b>	<b>5,022,472</b>
<b>NET ASSETS</b>	<b>8,397,665</b>	<b>8,906,065</b>	<b>8,797,536</b>	<b>9,990,840</b>	<b>10,107,596</b>	<b>10,107,596</b>	<b>10,813,786</b>	<b>11,818,829</b>	<b>13,205,691</b>
<b>COMMUNITY WEALTH/EQUITY</b>									
Accumulated Surplus/(Deficit)	3,443,005	3,311,540	3,607,801	3,597,976	4,267,393	4,267,393	4,894,665	5,079,248	5,385,644
Reserves	4,954,661	5,594,525	5,189,734	6,392,864	5,840,203	5,840,203	5,919,121	6,739,581	7,820,047
Minorities' interests									
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>8,397,665</b>	<b>8,906,065</b>	<b>8,797,536</b>	<b>9,990,840</b>	<b>10,107,596</b>	<b>10,107,596</b>	<b>10,813,786</b>	<b>11,818,829</b>	<b>13,205,691</b>



**Table 25 (Table A7 –Consolidated Budgeted Cash Flows)**

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>									
Receipts									
Ratepayers and other	2,929,742	2,716,954	5,279,253	4,270,130	4,656,955	4,656,955	5,195,141	5,818,140	6,505,725
Government - operating	1,021,115	1,454,743	1,363,358	1,371,306	1,282,407	1,282,407	1,161,771	1,073,480	1,163,408
Government - capital	970,072	993,724	531,295	1,246,467	1,249,768	1,249,768	1,243,420	1,344,088	1,453,571
Interest	261,451	148,086	132,598	23,757	30,500	30,500	28,028	29,609	31,283
Dividends									
Payments									
Suppliers and employees	(3,696,500)	(4,088,377)	(5,899,956)	(5,019,328)	(5,224,452)	(5,224,452)	(5,916,718)	(6,165,233)	(6,733,900)
Finance charges	(82,503)	(112,779)	(177,110)	(208,791)	(213,337)	(213,337)	(200,937)	(189,528)	(178,886)
Transfers and Grants	(36,277)	(99,870)	(296,231)	(23,315)	(26,492)	(26,492)	(23,327)	(24,710)	(26,174)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>1,367,100</b>	<b>1,012,482</b>	<b>933,208</b>	<b>1,660,226</b>	<b>1,755,348</b>	<b>1,755,348</b>	<b>1,487,377</b>	<b>1,885,846</b>	<b>2,215,027</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>									
Receipts									
Proceeds on disposal of PPE	140		2,250						
Decrease (increase) in non current debtors									
Decrease (increase) other non-current receivables	23,007	10,379	(19,096)	1,297	1,297	1,297			
Decrease (increase) in non-current investments	10,561								
Payments									
Capital assets	(2,337,480)	(2,390,138)	(1,483,093)	(1,411,191)	(1,383,943)	(1,383,943)	(1,785,873)	(1,730,484)	(1,830,867)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(2,303,772)</b>	<b>(2,379,759)</b>	<b>(1,499,938)</b>	<b>(1,409,894)</b>	<b>(1,382,646)</b>	<b>(1,382,646)</b>	<b>(1,785,873)</b>	<b>(1,730,484)</b>	<b>(1,830,867)</b>

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>									
Receipts									
Short term loans									
Borrowing long term/refinancing		1,164,616	469,809						
Increase (decrease) in consumer deposits	(11,615)			2,515	2,515	2,515	(3,275)	(1,000)	(1,000)
Payments									
Repayment of borrowing	(56,438)	(51,828)	(88,859)	(92,211)	(92,058)	(92,058)	(97,444)	(105,159)	(112,968)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(68,054)</b>	<b>1,112,788</b>	<b>380,950</b>	<b>(89,696)</b>	<b>(89,543)</b>	<b>(89,543)</b>	<b>(100,719)</b>	<b>(106,159)</b>	<b>(113,968)</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>(1,004,726)</b>	<b>(254,489)</b>	<b>(185,780)</b>	<b>160,636</b>	<b>283,159</b>	<b>283,159</b>	<b>(399,214)</b>	<b>49,204</b>	<b>270,192</b>
Cash/cash equivalents at the year begin:	1,931,026	926,301	671,811	298,112	505,647	505,647	780,972	381,758	430,962
Cash/cash equivalents at the year end:	926,301	671,811	486,031	458,748	788,806	788,806	381,758	430,962	701,155

**Table 26 (Table A8 –Consolidated Cash backed Reserves)**

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Cash and investments available</b>									
Cash/cash equivalents at the year end	926,301	671,811	486,031	458,748	788,806	788,806	381,758	430,962	701,155
Other current investments > 90 days	0	936	1,128	(0)	0	0	(0)	(0)	0
Non current assets - Investments	707	–	–	20	20	20	20	20	20
<b>Cash and investments available:</b>	<b>927,008</b>	<b>672,747</b>	<b>487,159</b>	<b>458,768</b>	<b>788,826</b>	<b>788,826</b>	<b>381,778</b>	<b>430,982</b>	<b>701,175</b>
<b>Application of cash and investments</b>									
Unspent conditional transfers	646,026	218,352	309,214	–	325,604	325,604	196,018	188,409	205,335
Other working capital requirements	115,528	644,508	192,848	374,485	363,199	363,199	336,286	378,649	419,416
Reserves to be backed by cash/investments	486,640	446,052	593,375	167,349	47,000	47,000	47,000	49,220	51,573
<b>Total Application of cash and investments:</b>	<b>1,248,195</b>	<b>1,308,912</b>	<b>1,095,437</b>	<b>541,834</b>	<b>735,803</b>	<b>735,803</b>	<b>579,304</b>	<b>616,278</b>	<b>676,324</b>
<b>Surplus(shortfall)</b>	<b>(321,186)</b>	<b>(636,165)</b>	<b>(608,277)</b>	<b>(83,066)</b>	<b>53,023</b>	<b>53,023</b>	<b>(197,526)</b>	<b>(185,296)</b>	<b>24,851</b>

**Table 27 (Table A9 –Consolidated Asset Management)**

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>CAPITAL EXPENDITURE</b>									
<b>Total New Assets</b>	<b>2,276,898</b>	<b>1,994,760</b>	<b>1,043,023</b>	<b>1,072,107</b>	<b>721,447</b>	<b>721,447</b>	<b>621,253</b>	<b>551,031</b>	<b>351,023</b>
<i>Infrastructure - Road transport</i>	684,505	794,839	381,159	248,800	131,811	131,811	54,700	62,650	53,650
<i>Infrastructure - Electricity</i>	221,504	313,885	159,885	60,400	4,100	4,100	6,000	7,500	5,500
<i>Infrastructure - Water</i>	107,808	151,610	102,135	435,000	372,450	372,450	269,254	214,000	41,000
<i>Infrastructure - Sanitation</i>	33,092	87,150	92,140	38,073	2,500	2,500	7,500	7,500	7,500
<i>Infrastructure - Other</i>	21,675	–	32,304	–	29,295	29,295	15,500	2,945	2,945
<b>Infrastructure</b>	<b>1,068,585</b>	<b>1,347,484</b>	<b>767,622</b>	<b>782,273</b>	<b>540,156</b>	<b>540,156</b>	<b>352,954</b>	<b>294,595</b>	<b>110,595</b>
<b>Community</b>	<b>1,052,133</b>	<b>425,850</b>	<b>142,164</b>	<b>90,369</b>	<b>46,814</b>	<b>46,814</b>	<b>44,000</b>	<b>12,600</b>	<b>10,000</b>
<b>Heritage assets</b>	<b>9,850</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Investment properties</b>	<b>57,683</b>	<b>–</b>	<b>–</b>	<b>120,000</b>	<b>102,000</b>	<b>102,000</b>	<b>145,868</b>	<b>155,336</b>	<b>156,928</b>
<b>Other assets</b>	<b>35,170</b>	<b>186,974</b>	<b>133,237</b>	<b>14,500</b>	<b>4,312</b>	<b>4,312</b>	<b>57,860</b>	<b>68,100</b>	<b>50,100</b>
<b>Agricultural Assets</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Biological assets</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Intangibles</b>	<b>53,477</b>	<b>34,452</b>	<b>–</b>	<b>64,965</b>	<b>28,165</b>	<b>28,165</b>	<b>20,570</b>	<b>20,400</b>	<b>23,400</b>
<b>Total Renewal of Existing Assets</b>	<b>190,818</b>	<b>241,358</b>	<b>268,333</b>	<b>287,900</b>	<b>513,158</b>	<b>513,158</b>	<b>1,182,409</b>	<b>1,123,995</b>	<b>1,446,326</b>
<i>Infrastructure - Road transport</i>	107,910	80,448	–	112,500	164,690	164,690	608,000	373,202	515,654

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<i>Infrastructure - Electricity</i>	15,516	10,802	10,965	25,600	81,900	81,900	110,807	138,123	139,437
<i>Infrastructure - Water</i>	37,068	63,802	43,052	45,000	37,550	37,550	126,652	221,850	250,950
<i>Infrastructure - Sanitation</i>	30,324	51,325	33,218	78,300	116,225	116,225	277,100	334,300	469,400
<i>Infrastructure - Other</i>	–	–	59,084	10,500	27,773	27,773	1,700	1,655	1,655
Infrastructure	190,818	206,377	146,319	271,900	428,138	428,138	1,124,259	1,069,130	1,377,096
Community	–	10,843	68,837	–	41,801	41,801	18,677	15,300	31,800
Heritage assets	–	–	21,920	–	–	–	–	–	–
Investment properties	–	–	–	–	–	–	–	–	–
Other assets	–	24,138	31,257	16,000	31,458	31,458	28,473	23,485	21,890
Agricultural Assets	–	–	–	–	–	–	–	–	–
Biological assets	–	–	–	–	–	–	–	–	–
Intangibles	–	–	–	–	11,762	11,762	11,000	16,080	15,540
<b>Total Capital Expenditure</b>									
<i>Infrastructure - Road transport</i>	792,415	875,287	381,159	361,300	296,500	296,500	662,700	435,852	569,304
<i>Infrastructure - Electricity</i>	237,020	324,687	170,849	86,000	86,000	86,000	116,807	145,623	144,937
<i>Infrastructure - Water</i>	144,876	215,412	145,187	480,000	410,000	410,000	395,906	435,850	291,950
<i>Infrastructure - Sanitation</i>	63,416	138,475	125,357	116,373	118,725	118,725	284,600	341,800	476,900
<i>Infrastructure - Other</i>	21,675		91,388	10,500	57,068	57,068	17,200	4,600	4,600
Infrastructure	1,259,403	1,553,861	913,941	1,054,173	968,293	968,293	1,477,213	1,363,725	1,487,691
Community	1,052,133	436,693	211,001	90,369	88,616	88,616	62,677	27,900	41,800
Heritage assets	9,850	–	21,920	–	–	–	–	–	–
Investment properties	57,683	–	–	120,000	102,000	102,000	145,868	155,336	156,928
Other assets	35,170	211,112	164,494	30,500	35,770	35,770	86,333	91,585	71,990
Agricultural Assets	–	–	–	–	–	–	–	–	–
Biological assets	–	–	–	–	–	–	–	–	–
Intangibles	53,477	34,452	–	64,965	39,927	39,927	31,570	36,480	38,940
<b>TOTAL CAPITAL EXPENDITURE - Asset class</b>	<b>2,467,716</b>	<b>2,236,118</b>	<b>1,311,356</b>	<b>1,360,007</b>	<b>1,234,606</b>	<b>1,234,606</b>	<b>1,803,661</b>	<b>1,675,026</b>	<b>1,797,349</b>
<b>ASSET REGISTER SUMMARY - PPE (WDV)</b>									
<i>Infrastructure - Road transport</i>	2,792,685	4,193,173	2,849,752	4,833,478	3,044,971	3,044,971	3,534,412	4,139,717	4,577,930
<i>Infrastructure - Electricity</i>	1,151,199	1,306,508	1,437,655	1,435,590	1,441,066	1,441,066	1,471,284	1,521,542	1,606,113
<i>Infrastructure - Water</i>	902,709	1,153,966	941,776	1,580,403	1,323,249	1,323,249	1,510,643	1,754,819	2,054,339
<i>Infrastructure - Sanitation</i>	596,584	683,428	771,160	837,347	878,338	878,338	1,073,121	1,309,473	1,766,393
<i>Infrastructure - Other</i>	41,139	83,424	2,268,138	165,258	1,918,907	1,918,907	1,535,046	1,147,728	1,064,198
Infrastructure	5,484,316	7,420,499	8,268,480	8,852,076	8,606,531	8,606,531	9,124,504	9,873,280	11,068,972

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Community	1,339,657	2,726,258	2,810,627	2,591,040	2,856,504	2,856,504	2,862,317	2,843,346	2,634,870
Heritage assets	59,146	111,083	126,474	99,982	126,474	126,474	126,474	126,474	121,474
Investment properties	1,865,722	70,763	71,231	–	71,231	71,231	71,231	71,231	71,231
Other assets	377,547	564,674	583,235	904,064	862,111	862,111	1,455,920	1,742,660	1,957,069
Agricultural Assets	–	–	–	–	–	–	–	–	–
Biological assets	–	–	–	–	–	–	–	–	–
Intangibles	324,982	411,602	430,540	401,071	431,399	431,399	431,499	431,589	431,669
<b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b>	<b>9,451,369</b>	<b>11,304,880</b>	<b>12,290,587</b>	<b>12,848,233</b>	<b>12,954,250</b>	<b>12,954,250</b>	<b>14,071,945</b>	<b>15,088,579</b>	<b>16,285,284</b>
EXPENDITURE OTHER ITEMS									
<u>Depreciation &amp; asset impairment</u>	407,147	546,632	571,232	689,301	720,280	720,280	736,327	711,752	657,140
<u>Repairs and Maintenance by Asset Class</u>	381,616	408,104	415,638	458,472	458,404	458,404	498,534	537,139	579,164
<i>Infrastructure - Road transport</i>	65,336	66,113	73,310	89,773	90,165	90,165	90,672	96,112	101,879
<i>Infrastructure - Electricity</i>	33,965	34,912	28,585	38,059	36,085	36,085	42,006	45,691	49,560
<i>Infrastructure - Water</i>	102,375	117,915	119,415	120,635	112,634	112,634	131,853	144,439	157,702
<i>Infrastructure - Sanitation</i>	100,392	103,325	111,701	116,606	124,696	124,696	129,312	138,336	148,790
<i>Infrastructure - Other</i>	2,095	2,127	2,735	4,729	4,729	4,729	5,510	5,887	6,291
Infrastructure	304,163	324,392	335,745	369,802	368,309	368,309	399,353	430,465	464,223
Community	31,701	29,167	31,853	29,304	30,578	30,578	35,387	38,409	41,877
Heritage assets	–	–	–	–	–	–	–	–	–
Investment properties	–	–	–	–	–	–	–	–	–
Other assets	45,752	54,545	48,040	59,366	59,517	59,517	63,794	68,265	73,064
<b>TOTAL EXPENDITURE OTHER ITEMS</b>	<b>788,763</b>	<b>954,735</b>	<b>986,870</b>	<b>1,147,772</b>	<b>1,178,684</b>	<b>1,178,684</b>	<b>1,234,860</b>	<b>1,248,891</b>	<b>1,236,304</b>
<i>Renewal of Existing Assets as % of total capex</i>	7.7%	0.0%	20.5%	21.2%	41.6%	41.6%	65.6%	67.1%	80.5%
<i>Renewal of Existing Assets as % of deprecn"</i>	46.9%	0.0%	47.0%	41.8%	71.2%	71.2%	160.6%	157.9%	220.1%
<i>R&amp;M as a % of PPE</i>	5.3%	3.8%	3.5%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%
<i>Renewal and R&amp;M as a % of PPE</i>	6.0%	4.0%	6.0%	6.0%	7.0%	7.0%	12.0%	11.0%	12.0%

Table 28 (Table A10 –Consolidated Basic Service Delivery Measurement)

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Household service targets</b>									
<b><u>Water:</u></b>									
Piped water inside dwelling	211,120	265,000	205,877	309,096	309,096	309,096	333,824	360,530	389,372
Piped water inside yard (but not in dwelling)	5,500	7,000	7,500	8,164	8,164	8,164	8,817	9,522	10,284
Using public tap (at least min.service level)	29,000	65,000	70,000	75,816	75,816	75,816	81,881	88,432	95,506
Other water supply (at least min.service level)			–						
<i>Minimum Service Level and Above sub-total</i>	245,620	337,000	283,377	393,076	393,076	393,076	424,522	458,484	495,162
No water supply	34,380								
<i>Below Minimum Service Level sub-total</i>	34,380	–	–	–	–	–	–	–	–
<b>Total number of households</b>	<b>280,000</b>	<b>337,000</b>	<b>283,377</b>	<b>393,076</b>	<b>393,076</b>	<b>393,076</b>	<b>424,522</b>	<b>458,484</b>	<b>495,162</b>
<b><u>Sanitation/sewerage:</u></b>									
Flush toilet (connected to sewerage)	216,700	256,000	275,000	298,598	298,598	298,598	322,486	348,285	376,147
Flush toilet (with septic tank)	300	3,000	3,000	2,980	2,980	2,980	3,218	3,476	3,754
<i>Minimum Service Level and Above sub-total</i>	217,000	259,000	278,000	301,578	301,578	301,578	325,704	351,761	379,901
Bucket toilet	39,000	22,000	22,500	21,859	21,859	21,859	23,608	25,496	27,536
Other toilet provisions (< min.service level)									
No toilet provisions									
<i>Below Minimum Service Level sub-total</i>	39,000	22,000	22,500	21,859	21,859	21,859	23,608	25,496	27,536
<b>Total number of households</b>	<b>256,000</b>	<b>281,000</b>	<b>300,500</b>	<b>323,437</b>	<b>323,437</b>	<b>323,437</b>	<b>349,312</b>	<b>377,257</b>	<b>407,437</b>
<b><u>Energy:</u></b>									
Electricity (at least min.service level)	37,520	36,000	32,010	35,000	35,000	35,000	27,500	27,500	27,500
Electricity - prepaid (min.service level)	227,095	232,000	261,740	236,000	236,000	236,000	277,000	277,000	277,000
<i>Minimum Service Level and Above sub-total</i>	264,615	268,000	293,750	271,000	271,000	271,000	304,500	304,500	304,500
<b>Total number of households</b>	<b>264,615</b>	<b>268,000</b>	<b>293,750</b>	<b>271,000</b>	<b>271,000</b>	<b>271,000</b>	<b>304,500</b>	<b>304,500</b>	<b>304,500</b>
<b><u>Refuse:</u></b>									
Removed at least once a week	170,102	172,000	137,561	275,083	275,083	275,083	297,090	297,090	297,090
<i>Minimum Service Level and Above sub-total</i>	170,102	172,000	137,561	275,083	275,083	275,083	297,090	297,090	297,090
Removed less frequently than once a week	7,400	9,000	13,428						
No rubbish disposal	886	3,000	2,371	1,191	1,191	1,191	1,096	1,096	1,096
<i>Below Minimum Service Level sub-total</i>	8,286	12,000	15,799	1,191	1,191	1,191	1,096	1,096	1,096
<b>Total number of households</b>	<b>178,388</b>	<b>184,000</b>	<b>153,360</b>	<b>276,274</b>	<b>276,274</b>	<b>276,274</b>	<b>298,185</b>	<b>298,185</b>	<b>298,185</b>
<b>Households receiving Free Basic Service</b>									
Water (6 kilolitres per household per month)	108,000	115,000	79,035	85,156	75,241	75,241	74,867	75,166	75,467
Sanitation (free minimum level service)	108,000	115,000	79,035	85,156	75,241	75,241	74,867	75,166	75,467
Electricity/other energy (50kwh per household per month)	99,000	105,000	79,035	85,156	67,800	67,800	67,158	67,427	67,696

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Refuse (removed at least once a week)	80,000	83,000	79,035	78,705	70,321	70,321	68,485	68,759	69,034
<b><u>Cost of Free Basic Services provided (R'000)</u></b>									
Water (6 kilolitres per household per month)	42,114	45,483	45,313	20,258	59,834	59,834	50,703	57,801	66,471
Sanitation (free sanitation service)	57,141	61,998	63,862	56,071	55,145	55,145	88,171	100,515	115,592
Electricity/other energy (50kwh per household per month)	52,691	66,313	34,058	49,110	41,882	41,882	32,067	35,589	39,493
Refuse (removed once a week)	39,830	43,016	44,765	52,618	53,046	53,046	60,177	68,602	78,892
<b>Total cost of FBS provided (minimum social package)</b>	<b>191,776</b>	<b>216,810</b>	<b>187,997</b>	<b>178,057</b>	<b>209,907</b>	<b>209,907</b>	<b>231,118</b>	<b>262,507</b>	<b>300,449</b>
<b><u>Highest level of free service provided</u></b>									
Property rates (R value threshold)		42,700	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Water (kilolitres per household per month)		45,483	8	8	8	8	8	8	8
Sanitation (kilolitres per household per month)		115	11	11	11	11	11	11	11
Sanitation (Rand per household per month)		61,998	77	86	62	62	98	111	125
Electricity (kwh per household per month)		75	75	75	75	75	75	75	75
Refuse (average litres per week)		85			200	200	200	200	200
<b><u>Revenue cost of free services provided (R'000)</u></b>									
Property rates (R15 000 threshold rebate)	14,518	16,170	18,264	18,419	20,599	20,599	23,112	26,106	29,500
Property rates (other exemptions, reductions and rebates)	25,019	26,530	26,740	49,717	31,742	31,742	35,884	35,677	41,551
Water	42,114	45,483	60,418	67,728	59,301	59,301	67,604	77,068	88,628
Sanitation	57,141	61,998	63,862	56,071	77,343	77,343	88,171	100,515	115,592
Electricity/other energy	52,691	66,313	51,086	49,110	42,703	42,703	48,100	53,384	59,240
Refuse	39,830	48,677	44,765	52,618	52,787	52,787	60,177	68,602	78,892
<b>Total revenue cost of free services provided (total social package)</b>	<b>231,313</b>	<b>265,171</b>	<b>265,134</b>	<b>293,663</b>	<b>284,475</b>	<b>284,475</b>	<b>323,048</b>	<b>361,352</b>	<b>413,403</b>

## **PART 2 – SUPPORTING DOCUMENTATION**

### **2.1 OVERVIEW OF ANNUAL BUDGET PROCESS**

The Budget process started in August 2011 after the approval of a timetable and strategy to guide the preparation of the 2012/13 to 2014/15 Operating and Capital Budgets.

The timetable provides broad timeframes for the IDP and Budget preparation process. It allows for consultation with stakeholders, such as the elected public representatives, employees of the Municipality, Civil Society, State departments, business and labour, during April/May 2012. The main aims of the timetable are to ensure that a revised IDP and a balanced Budget are tabled in March 2012. The Budget will be tabled by the Executive Mayor at a Council meeting scheduled for 29 March 2012, following which it will be submitted to National Treasury as well as being subjected to a consultation process with stakeholders, such as the elected public representatives, employees of the Municipality, Civil Society, business, labour, National and Provincial Governments.

The consultation will take the form of a series of public meetings in the various wards under the direction and leadership of the Executive Mayor and his Mayoral Committee. Taking the inputs of the aforementioned consultations into account, the Executive Mayor will table the IDP and Budget for consideration and approval at a Council meeting scheduled for 24 May 2012.

The Service Delivery and Budget Implementation Plan is the mechanism that ensures that the IDP and the Budget is aligned.

The Budget was also considered by the Budget Task Team. The Task Team consists of Councillors of the Budget and Treasury Committee, whilst being chaired by the Portfolio Councillor. The main objective of the Budget Task Team is to ensure that the budget is maintained within the affordability levels, taking the IDP deliverables into account. The capacity to spend the Budget by the relevant Directorates, efficient and effective utilisation of budget allocations and the need to adequately maintain the Municipality's infrastructure and facilities were highlighted as key challenges, in addition to the ongoing financial sustainability of the Budget.

The deliberations of the Budget Task Team were considered by the IDP and Budget Steering Committee under the direction of the Executive Mayor. The IDP and Budget Steering Committee consists of the Executive Mayor, the Chairperson of the Budget and Treasury Standing Committee, the Municipal Manager and senior officials. The primary aims of the Committee are to ensure that:

- The budget compilation process complies with legislation;
- There is proper alignment between the service delivery priorities as set out in the Municipality's IDP and the budget, taking into account the need to maintain the financial sustainability of the Municipality;
- The Municipality's revenue and tariff determination strategies generate sufficient cash resources to deliver services; and
- The various spending priorities of the different municipal directorates are properly evaluated and prioritized in the allocation of resources.

#### **2.1.1 IDP & Budget Timetable 2012/13 to 2014/15**

The preparation of the 2012/13 to 2014/15 IDP and Budget was guided by the following schedule of key deadlines as approved by Council on 28 July 2011.

<b>Activity</b>	<b>Date</b>
IDP/Budget Schedule approved by Council	28 July 2011
Budget Strategy and Assumptions approved by Council	7 September 2011
Tabling of draft IDP and Budget in Council	29 March 2012
Public Participation	4 to 24 April 2012
Final adoption of IDP and Budget by Council	24 May 2012
Approval of SDBIP by Executive Mayor	21 June 2012

## **2.2 ALIGNMENT OF ANNUAL BUDGET WITH INTEGRATED DEVELOPMENT PLAN**

The Integrated Development Plan (IDP) determines and prioritises the needs of the community.

The review of the IDP in terms of the Municipal Systems Act was guided and informed by the following principles:

- Achievement of the five strategic priorities of NMBM.
- Focus on service delivery of backlogs and the maintenance of infrastructure.
- Address community priorities (needs) as identified in the IDP.

The review of the IDP focused on establishing measurable performance indicators and targets. These targets informed the preparation of the multi-year budget, as well as the Service Delivery and Budget Implementation Plan (SDBIP).

The 2012/13 to 2014/15 Operating and Capital Budgets were prepared in accordance with the IDP. The key strategic focus areas of the IDP are as follows:

- Municipal transformation and development
- Service delivery and infrastructure development
- Local economic development
- Financial sustainability and viability
- Good governance and public participation

The abovementioned strategic focus areas informed the preparation of the Budget.

After the tabling of the budget, a series of meetings will be held throughout the municipal area to consult with the elected public representatives, employees of the Municipality, Civil Society, business, labour, National and Provincial Governments on how the budget addresses the IDP priorities and objectives. The feedback flowing from these meetings will be referred to the relevant Directorates for their attention.

The linking of capital projects to the IDP priorities has been relatively simple, whilst the difficulty in the past has been to link the Operating budget to the IDP. This is now facilitated through the SDBIP.

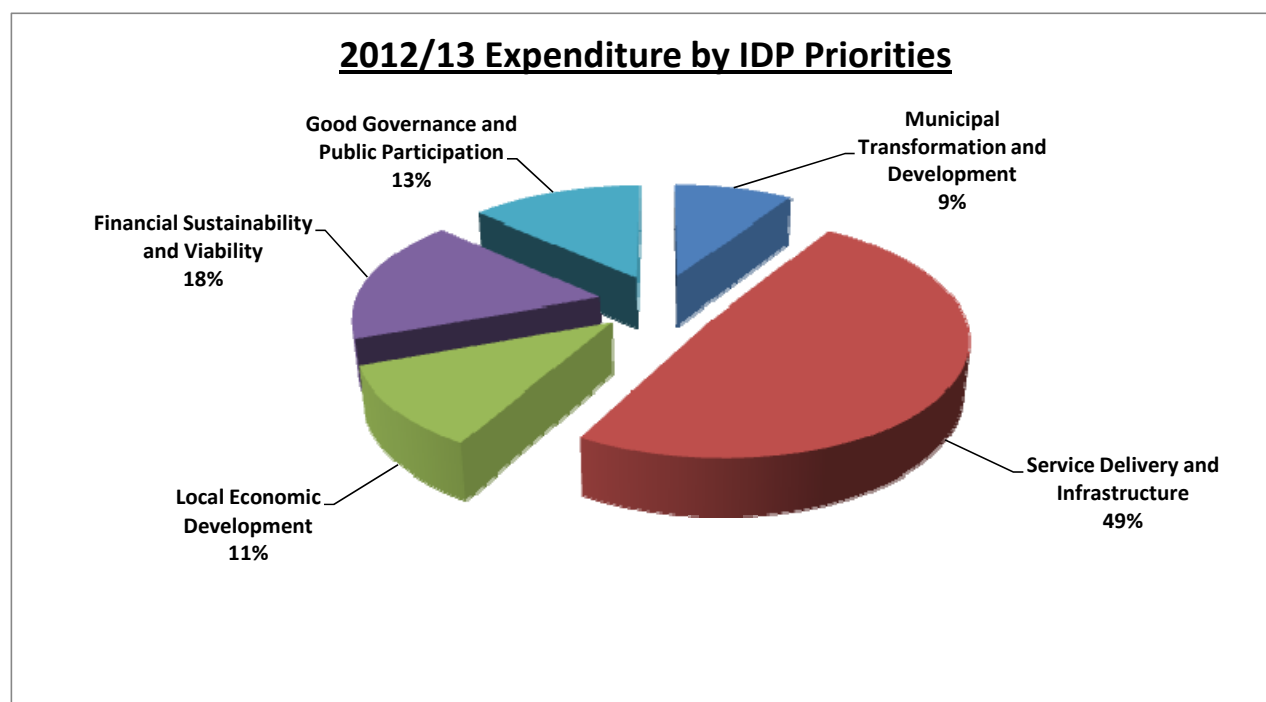
Below is a table, which illustrates the link between the Budget and the IDP.



## BUDGET ALLOCATION ACCORDING TO IDP PRIORITIES

	Municipal Transformation and Development	Service Delivery and Infrastructure Development	Local Economic Development	Financial Sustainability and Viability	Good Governance and Public Participation	Total
	R '000	R '000	R '000	R '000	R '000	R '000
<b>2012/13 Budget</b>						
Capital Expenditure	108,220	1,406,856	216,439	36,073	36,073	1,803,661
Operating Expenditure	760,133	3,192,559	836,146	1,596,280	1,216,213	7,601,331
<b>Total</b>	<b>868,353</b>	<b>4,599,415</b>	<b>1,052,585</b>	<b>1,632,353</b>	<b>1,252,286</b>	<b>9,404,992</b>
<b>2013/14 Budget</b>						
Capital Expenditure	100,502	1,306,520	201,003	33,501	33,500	1,675,026
Operating Expenditure	777,514	3,264,515	855,265	1,632,779	1,244,022	7,774,095
<b>Total</b>	<b>878,016</b>	<b>4,535,394</b>	<b>933,269</b>	<b>1,430,990</b>	<b>1,089,936</b>	<b>8,768,745</b>
<b>2014/15 Budget</b>						
Capital Expenditure	107,841	1,401,932	215,682	35,947	35,947	1,797,349
Operating Expenditure	845,484	3,548,234	930,032	1,775,516	1,352,774	8,452,040
<b>Total</b>	<b>888,263</b>	<b>5,183,391</b>	<b>1,073,210</b>	<b>1,613,249</b>	<b>1,263,218</b>	<b>10,021,331</b>

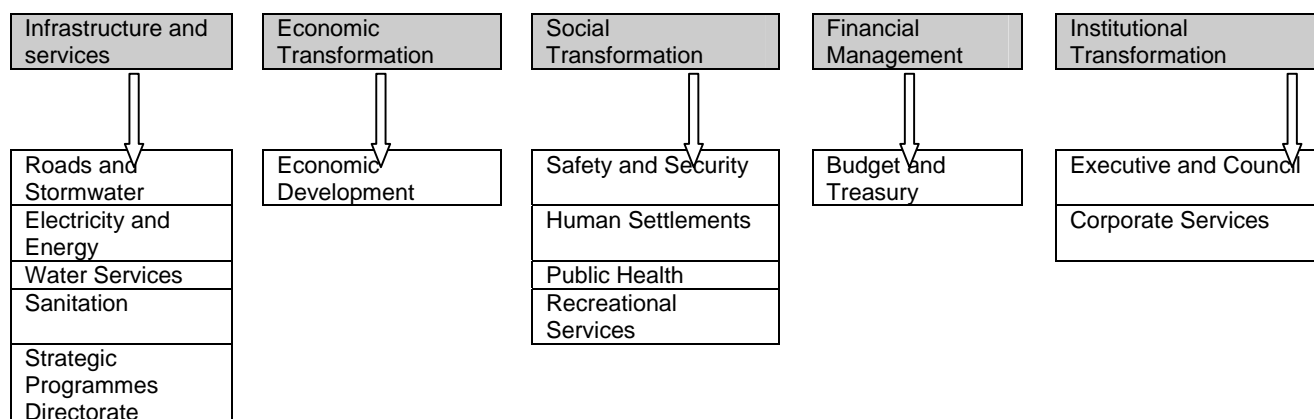
Figure 3 – 2012/13 Expenditure by IDP Priorities



## 2.2.1 Alignment with National and Provincial Priorities

The Municipality's priorities are aligned to those of the National and Provincial Governments.

The matrix below shows the alignment with National and Provincial Government priorities:



The above is an indication of NMBM's alignment to the National and Provincial Key Performance Areas and how Directorates are aligned thereto. It should, however, be noted that in terms of implementation all Directorates are focusing on the five areas. In order to monitor and evaluate service delivery and financial performance, key performance indicators are included in all Executive Directors' performance agreements.

## 2.3 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

This section contains the key performance indicators.

Description of financial indicator	Basis of calculation	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Borrowing Management</b>										
Credit Rating		Aa3.za	Aa3.za	Aa3.za	Aa3.za	Aa3.za	Aa3.za	Aa3.za	Aa3.za	Aa3.za
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	3.2%	2.9%	4.2%	4.7%	4.4%	4.4%	4.0%	3.8%	3.5%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	4.2%	4.4%	5.9%	6.3%	5.8%	5.8%	5.1%	4.5%	4.0%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0.0%	95.3%	47.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Safety of Capital</b>										
Gearing	Long Term Borrowing/ Funds & Reserves	7.8%	26.1%	35.5%	27.0%	30.2%	30.2%	28.2%	23.1%	18.5%
<b>Liquidity</b>										
Current Ratio	Current assets/current liabilities	1.0	1.0	0.8	1.0	1.0	1.0	0.8	0.8	1.0
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	1.0	1.0	0.8	1.0	1.0	1.0	0.8	0.8	1.0
Liquidity Ratio	Monetary Assets/Current Liabilities	0.4	0.3	0.2	0.3	0.4	0.4	0.2	0.2	0.4

Description of financial indicator	Basis of calculation	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Revenue Management</b>										
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		91.0%	73.9%	121.1%	86.1%	88.3%	88.3%	88.8%	88.8%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)			90.3%	73.0%	120.7%	86.1%	88.3%	88.3%	88.8%	88.8%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	27.5%	24.8%	16.1%	15.8%	15.3%	15.3%	14.2%	14.0%	13.0%
<b>Creditors Management</b>										
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA' s 65(e))	84.0%	82.0%	84.0%	77.0%	77.0%	77.0%	78%	80%	82%
Creditors to Cash and Investments		139.2%	259.5%	291.4%	280.2%	162.0%	162.0%	338.8%	317.5%	203.3%
<b>Other Indicators</b>										
Electricity Distribution Losses (2)	% Volume (units purchased and generated less units sold)/units purchased and generated	6.7%	7.5%	2.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Water Distribution Losses (2)	% Volume (units purchased and own source less units sold)/Total units purchased and own source	30.0%	29.3%	26.3%	24.3%	24.3%	24.3%	24.3%	24.3%	24.3%
Employee costs	Employee costs/(Total Revenue - capital revenue)	29.5%	31.1%	32.2%	29.3%	28.2%	28.2%	25.3%	25.9%	25.4%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	30.4%	32.0%	32.9%	30.1%	29.0%	29.0%	26.9%	27.9%	27.7%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	8.8%	7.8%	7.1%	7.2%	7.0%	7.0%	6.8%	7.0%	6.8%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	11.2%	12.6%	12.8%	14.3%	14.3%	14.3%	12.9%	11.8%	9.8%
<b>IDP regulation financial viability indicators</b>	-									
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	15.2	35.7	39.7	41.4	41.4	41.4	44.4	46.4	52.0
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	38.7%	36.6%	22.2%	20.3%	20.7%	20.7%	19.3%	17.8%	16.3%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	3.5	1.8	1.1	1.1	1.8	1.8	0.8	0.8	1.2

## 2.3.1 Performance indicators and benchmarks

### 2.3.1.1 Borrowing Management

Capital expenditure may be funded from capital grants, internal sources and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependant on its creditworthiness and financial position. The following financial performance indicators formed part of the compilation of the 2012/13 MTREF:

- *Capital charges to operating expenditure* is a measure of the cost of borrowing, compared to the total operating expenditure. The cost of borrowing is decreasing from 4,0% in 2012/13 to 3,5% in 2014/15. The decrease is attributable to no further borrowing being planned over the MTREF period.

### **2.3.1.2 Safety of Capital**

- *The gearing ratio* is a measure of the total long term borrowings over funds and reserves. Between 2007/08 and 2010/11 the gearing ratio peaked at 35,5%. This was mainly as a result of increased borrowing levels. Over the 2012/13 MTREF, the ratio decreases from 28,2% in 2012/13 to 18,5% in 2014/15.

### **2.3.1.3 Liquidity**

- *The current ratio* is a measure of the current assets divided by the current liabilities. The Municipality has set a benchmark limit of 1. For the 2012/13 MTREF the current ratio increases from 0,8 in 2012/13 to 1,0 in 2014/15.
- *The liquidity ratio* is a measure of the municipality's ability to utilise cash and cash equivalents to meets its current liabilities. A liquidity ratio of 1 should be maintained. Over the MTREF, the ratio increases from 0,2 in 2012/13 to 0,4 in 2014/15. This represents a pertinent risk for the Municipality, as any under collection of revenue will result in serious financial challenges for the Municipality. As part of the medium term financial planning objectives, this ratio must be maintained at a minimum of 1.

### **2.3.1.4 Revenue Management**

- As part of the Financial Recovery Plan, an aggressive revenue management framework is being implemented to increase cash inflows from current billings, as well as from debtors that are in arrears in excess of 90 days.

## **2.3.2 Drinking Water Quality and Waste Water Management**

The Municipality performs the dual roles of a Water Service Authority and a Water Service Provider, in managing the provision of drinking water and the treatment of wastewater.

The Municipality achieved a scoring of 95.1% in relation to its Blue Drop status for the supply of water, compared to the scoring of 95.08% achieved in the previous assessment. The improvement is attributable to concerted efforts by the Municipality to improve the management of Drinking Water Quality over the past 12 months, especially a significant improvement in overall chemical quality. The cleanliness and sound condition of assets was also a major contributing factor. In order to enhance its Blue Drop status in the next assessment cycle, the Municipality will have to focus specifically on its water safety plan.

An average Green Drop Score of 80.8% was achieved for the seven Waste Water Treatment Systems managed by the Municipality, compared to the scoring of 70% achieved in the previous assessment.

The assessment revealed the following: -

- Training of process controllers not yet adequate, even though there was a significant improvement since the previous assessment.
- Special attention should be given to process optimisation (especially disinfection), to ensure compliance with authorisation limits.

Despite the areas requiring attention to improve the Green Drop rating of the Municipality, it achieved the second highest average score for the Eastern Cape Province.

It is furthermore, the Municipality's intention to address the areas requiring attention in the forthcoming financial year.

### 2.3.3 Basic social services package for indigent households

The Constitution stipulates that a municipality must structure and manage its administration, budgeting and planning so as to give priority to the basic needs of the community and to promote their social and economic development. The basic social package is an affirmation of the Municipality's commitment to push back the frontiers of poverty by providing social welfare to those residents who cannot afford to pay, as a result of adverse social and economic conditions.

The initiatives carried out by the Municipality in this regard are detailed below.

Service	Social Package	Approximate Cost R'000	Est. No. of Housholds
Assessment Rates	All residential property owners are exempted from paying rates on the first R15 000 of their property values.	20 545	254 007
	Full credit for property rates for indigent consumers	54 196	57 852
Water	The first 8kl of water per month provided free to indigent consumers	67 728	85 156
Electricity	The first 75kwh of electricity provided free to indigent consumers	49 110	56 156
Refuse removal	Full credit for the monthly charge.	52 618	78 705
Sewerage	Full credit for monthly charge of sewerage to indigent consumers (For waterborne sewerage removal the maximum credit is based on 11kl per month)	56 071	85 156
MURP Allocation	Developmental Nodal Areas	21 221	
Indigent control admin costs	Costs to administer and monitor indigent customers	15 392	
Water maintenance	Maintenance provided in Wards where the majority are indigent consumers	20 049	
Sewerage Maintenance	Maintenance provided in Wards where the majority are indigent consumers	6 000	
Refuse co-ops	Co-ops to clean indigent and informal residential areas	14 073	
<b>Total Operating Costs</b>		<b>377 003</b>	

In addition to the aforementioned operating costs, the Equitable Share allocation is fully utilised towards capital projects linked to the Wards where the majority of the indigent consumers reside.

The Municipality thus fully utilises the Equitable Share allocation towards assisting the poor. It is however clear that the Equitable Share allocation is not sufficient to assist in addressing all the needs of the communities and the pressure on this vital funding source is ever increasing due to the high increases in specifically the electricity tariffs.

## **2.4 OVERVIEW OF BUDGET RELATED POLICIES**

The MFMA and the Budget and Reporting Regulations require budget related policies to be reviewed, and where applicable, be updated on an annual basis.

### **2.4.1 Financial Management Policies**

The policies were adopted by the Council in May 2010. The policies govern the financial management functions of the Municipality, such as budgeting, virements, financial statements, etc.

### **2.4.2 Review of credit control and debt collection policies**

The Collection Policy was reviewed and approved by Council in March 2011. A review of certain components of the policy was considered necessary to achieve a higher collection rate.

The 2012/13 MTREF has been prepared on the basis of achieving an average revenue collection rate of 95% on current billings, excluding ATTP subsidies. In addition, the collection of debt in excess of 90 days has been prioritised as a specific strategy, in order to improve the Municipality's cash position.

### **2.4.3 Budget Adjustment Policy (part of Financial Management Policies)**

The adjustments budget process is regulated by the MFMA and is aimed at entrenching increased levels of discipline, responsibility and accountability in the financial management practices of the Municipality. In order to ensure that the Municipality continues to deliver on its core service delivery mandate, the mid-year review and adjustments budget processes are utilised to ensure that underperforming functional areas are identified and funds redirected to performing functional areas.

### **2.4.4 Supply Chain Management Policy**

A revised Supply Chain Management Policy was adopted by Council in December 2011.

### **2.4.5 Cash Management and Investments Policy**

The Cash Management and Investments Policy was amended by Council in December 2005. The aim of the policy is to ensure that surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves.

### **2.4.6 Tariff Policies**

The different tariff policies provide a broad framework for the determination of tariffs. The different policies were approved on various dates, whilst a consolidated tariff by-law is in the process of being finalised.

All the above policies are available on the Municipality's website, as well as the following budget related policies:

- Asset Management Policy;
- Property Rates Policy;
- Funding and Reserves Policy;
- Borrowing Policy;
- Basic Social Services Package (Assistance to the Poor Policy);
- Financial Management Policies, which includes virement policy.

## **2.5 OVERVIEW OF BUDGET ASSUMPTIONS**

Budget assumptions/parameters are determined in advance of the budget process to allow budgets to be constructed to support the achievement of the longer-term financial and strategic targets.

The municipal fiscal environment is influenced by a variety of macro economic control measures. National Treasury provides guidelines on the ceiling of year-on-year increases in the total Operating Budget, whilst the National Electricity Regulator of South Africa (NERSA) regulates bulk electricity tariff increases and the Department of Water Affairs (DWA) regulates bulk water tariff increases. The Municipality's employee related costs are also influenced by collective agreements concluded in the South African Local Government Bargaining Council. Various government departments also affect municipal service delivery through the level of grants and subsidies.

The following principles and guidelines directly informed the compilation of the Budget:

- The priorities and targets in relation to the key strategic focus areas as determined in the IDP.
- The level of property rates and tariff increases to take into account the need to address maintenance and infrastructural backlogs, including the expansion of services.
- The level of property rates and tariff increases to ensure the delivery of municipal services on a financially sustainable basis.
- An assessment of the relative human resources capacity to implement the Budget.
- No budget allocation has been made to programmes and projects, unless the respective programme and project plans have been submitted by the relevant Executive Directors.
- The need to enhance the municipality's revenue base.
- No loan funding is available to support the Capital Budget, in view of financial affordability considerations.
- No growth in revenue sources has been provided for in view of current consumption trends in municipal services.
- No growth in property rates income has been provided for, in view of the depressed property market.

The Municipality faced the following significant challenges in preparing the 2012/13 – 2014/15 Budget:

- Reprioritisation of capital projects and operating expenditure within the revised financial affordability limits of the Budget, taking the cash position into account;
- Maintaining revenue collection rates at the targeted levels;
- Uncertainty as to the final negotiated salary increases for municipal employees, as the Salary and Wage Collective Agreement for the 2012/13 to 2014/15 financial years has not yet been concluded;
- Increased costs associated with bulk electricity and water, placing upward pressure on tariff increases to consumers. Continued high tariff increases may soon render municipal services financially unaffordable;
- Depleted Capital Replacement Reserve, impacting on the Municipality's ability to fund capital expenditure from internal sources;
- Allocation of the required operating budget provision for newly created infrastructure and facilities, with a consequential impact on rates and tariff increases.

The multi-year budget is therefore underpinned by the following assumptions:

	Assumptions	2012/13 Budget	2013/14 Budget	2014/15 Budget
<b>Income</b>	%	%	%	%
Tariff increases for water	13	13	13	13
Tariff increases for sanitation & refuse	13	13	13	13
Property rates increase	13	13	13	13
Electricity (average increase in income)	25	11.03	11.03	11.03
Revenue collection rates (excluding ATTP subsidies)	93.75	95	95	95
<b>Total expenditure</b> increase allowed (excluding repairs and maintenance)	6	9.66	0.02	8.79
Salary increase	9	6.5	7.5	9.1
Increase in repairs and maintenance	10	8.8	7.7	7.8
Increase in bulk purchase of power costs	26,71	13.5	13.5	13.5

No growth in revenue sources has been provided for, in view of current consumption trends relating to municipal services. Furthermore, no growth in property rates has been provided for, in view of the depressed property market.

It is to be noted that the Budget has been prepared, based on Generally Recognised Accounting Practice (GRAP).

## 2.6 OVERVIEW OF BUDGET FUNDING

### 2.6.1 Medium-term outlook: operating revenue

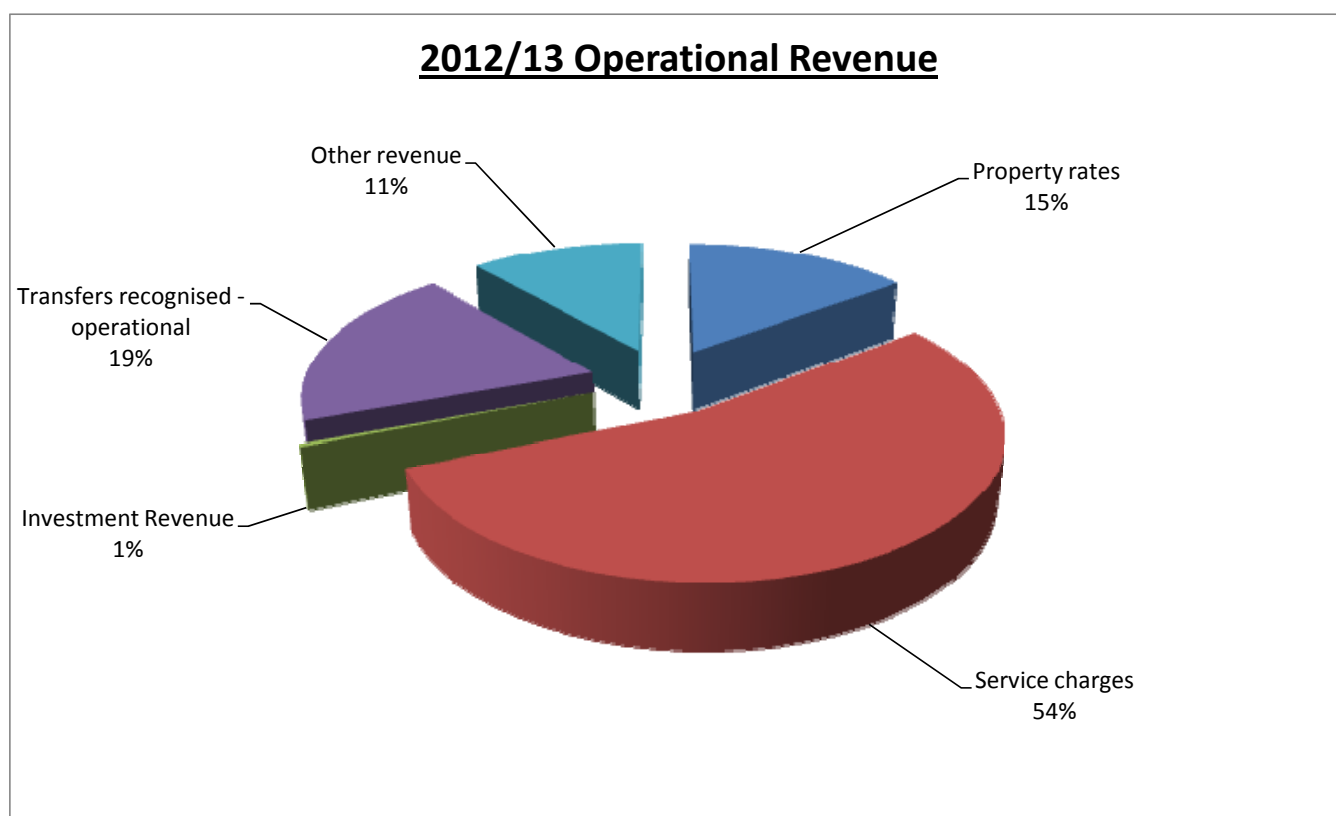
The following table provides a breakdown of operating revenue over the medium-term:

**Table 29 (Breakdown of the operating revenue over the medium-term)**

Description	2012/13 Medium Term Revenue & Expenditure Framework					
	Budget Year 2012/13		Budget Year +1 2013/14		Budget Year +2 2014/15	
R thousand						
<b>Revenue By Source</b>						
Property rates	1,074,628	14.8%	1,214,336	15.9%	1,372,205	16.1%
Service charges	3,950,854	54.3%	4,436,133	58.0%	5,006,009	58.7%
Investment Revenue	25,528	0.4%	27,059	0.4%	28,683	0.3%
Transfers recognised - operational	1,404,746	19.3%	1,073,480	14.0%	1,163,408	13.6%
Other revenue	825,517	11.3%	834,468	10.9%	843,957	9.9%
Total Revenue (excluding capital transfers and contributions)	7,281,273	100.0%	7,652,682	100.0%	8,524,016	100.0%
Total Expenditure	7,601,331		7,774,095		8,452,040	
Surplus/(Deficit) for the year	1,170,316		1,222,675		1,525,325	

The following graph is a breakdown of the operational revenue per main category for the 2012/13 financial year.





**Figure 4 Breakdown of operating revenue over the 2012/13 MTREF**

Tariff determination plays a vital role in ensuring the appropriate levels of revenue, so as to achieve a credible and funded budget. Operating revenue is mainly derived from service charges, such as water, electricity, sanitation and refuse collection and disposal, property rates and operating grants.

The revenue management strategy includes the following key components:

- Growth in the revenue base;
- Targeting a 95% annual collection rate for property rates and service charges, after discounting ATTP subsidies;
- National Treasury guidelines;
- Electricity bulk tariff increases as approved by NERSA;
- Water bulk tariff increases as approved by DWA;
- Ensuring fully cost reflective tariffs;
- The level of property rates and tariff increases must ensure financially sustainable service delivery;
- The Property Rates Policy, and
- The level of property rates and tariff increases to provide for the maintenance and replacement of infrastructure, including the expansion of services.

The above principles guide the annual increases in property rates and tariffs, charged to the consumers.

Property rates amount to R1,1 billion in the 2012/13 financial year and increases to R1,4 billion in 2014/15, representing 16,1% of the total operating revenue. It remains relatively constant over the medium-term.

Services charges relating to electricity, water, sanitation and refuse collection and disposal constitute the largest component of the revenue base, amounting to R3,9 billion in the 2012/13 financial year

and increasing to R5,0 billion in 2014/15. For the 2012/13 financial year, services charges amount to 54,3% of the total revenue base and increases to 58,7% in 2014/15. This escalation is mainly attributable to the significant increases in the bulk electricity tariffs.

Operational grants and subsidies amount to R1,4 billion, R1,1 billion and R1,2 billion for each of the respective financial years of the MTREF, or 19,3%, 14,0% and 13,6% of total operating revenue.

The tables below provide investment information and investment particulars by maturity.

**Table 30 (SA15 – Detail Investment Information)**

Investment type	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand									
<u>Parent municipality</u>									
Deposits - Bank	785,604	506,363	298,140	242,639	565,250	565,250	166,066	214,058	482,145
<b>Total</b>	<b>785,604</b>	<b>506,363</b>	<b>298,140</b>	<b>242,639</b>	<b>565,250</b>	<b>565,250</b>	<b>166,066</b>	<b>214,058</b>	<b>482,145</b>

As a result of the Municipality's cashflow forecasting, cashflow management and monitoring functions, investments are anticipated to increase from R166,1 million in 2012/13 to R482,1 million in 2014/15.

**Table 31 (SA16 – Investment particulars by maturity)**

Investments by Maturity	Period of Investment	Type of Investment	Expiry date of investment	Monetary value	Interest to be realised
Name of institution & investment ID	Yrs/Months			Rand millions	
Investec	1-3 months	Call account / money market	Variable	33,586	2,343
Stanlib	1-3 months	Call account / money market	Variable	35,500	2,477
Nedbank	1-3 months	Call account / money market	Variable	32,700	2,281
Standard Bank	1 year	Short term deposit	Variable	31,000	2,163
First National Bank	1-3 months	Call account / money market	Variable	33,280	2,316
<b>TOTAL INVESTMENTS AND INTEREST</b>				<b>166,066</b>	<b>11,580</b>

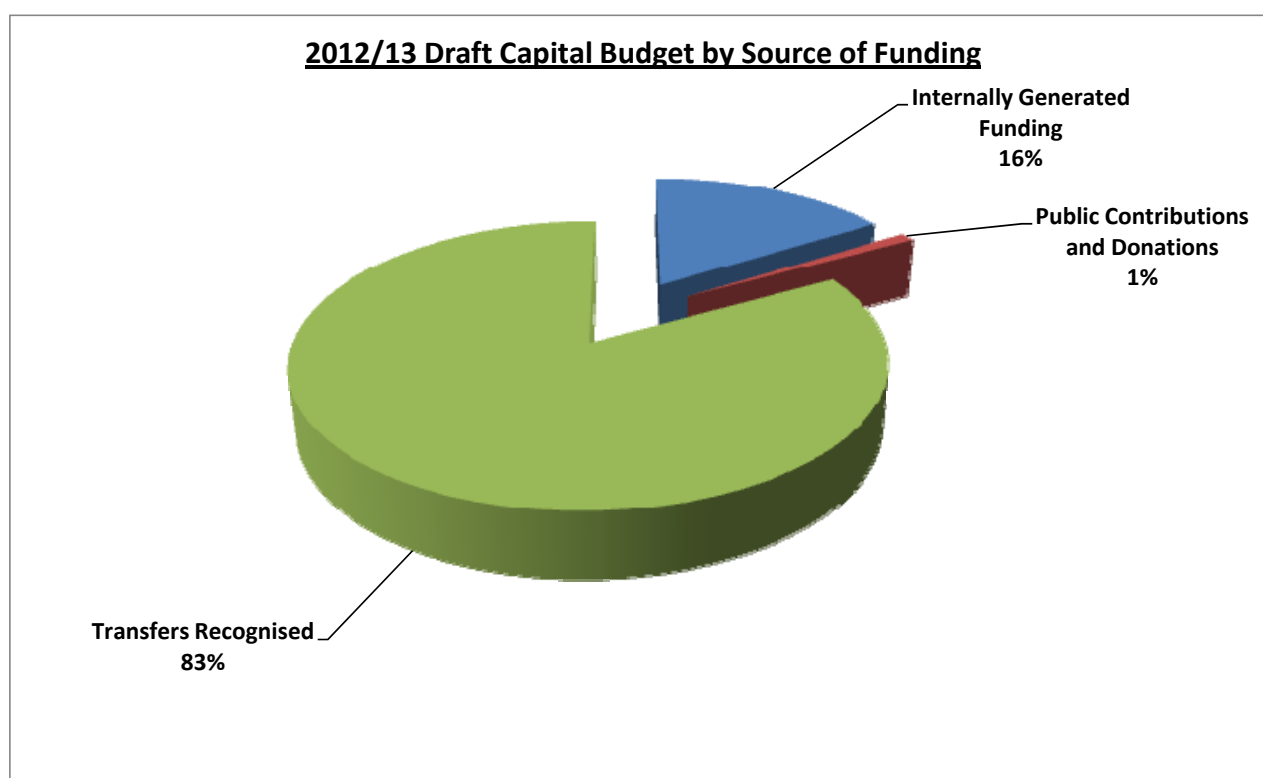
## 2.6.2 Medium-term outlook: capital revenue

The following table provides a breakdown of the funding components of the 2012/13 medium-term capital programme:

**Table 32 (Sources of capital revenue over the MTREF)**

Description	Current Year 2011/12		2012/13 Medium Term Revenue & Expenditure Framework					
R thousand	Adjusted Budget	%	Budget Year 2012/13	%	Budget Year +1 2013/14	%	Budget Year +2 2014/15	%
<u>Capital Transfers and Grants</u>								
National Government:	1,037,506	84.0	1,255,374	69.6	1,059,088	63.2	1,293,349	72.0
Provincial Government:	–		–		–			
Other grant providers:	3,000	0.2	235,000	13.0	285,000	17.0	160,000	8.9
Transfers recognised - capital	1,040,506	84.3	1,490,374	82.6	1,344,088	80.24	1,453,349	80.9
Public contributions and donations	38,000	3.1	23,000	1.3	33,500	2.0	33,500	1.9
Internally generated funds	156,096	12.6	290,287	16.1	297,438	17.8	310,500	17.2
Total Capital Transfers and Grants	1,234,602	100.0	1,803,661	100.0	1,675,026	100.0	1,797,349	100.0

The above table is graphically represented as follows for the 2012/13 financial year.

**Figure 5 Sources of capital revenue for the 2012/13 financial year**

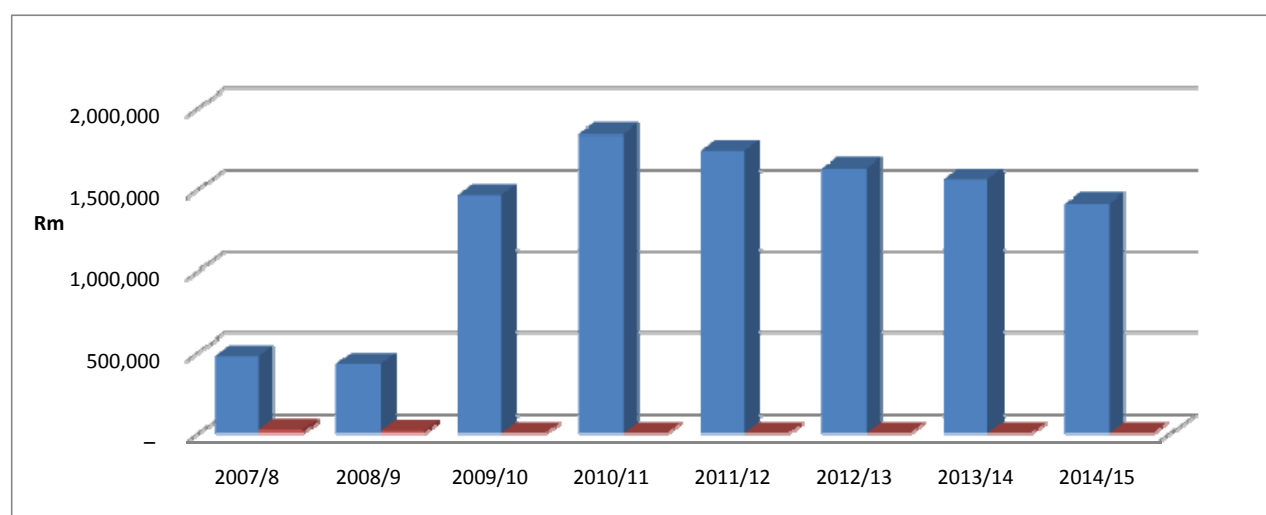
Capital grants constitute 82.6% of the total funding sources, amounting to R1,5 billion for the 2012/13 financial year and amounting to R1,5 billion or 80,9% in 2014/15. It is to be noted that no borrowing is planned for the 2012/13 MTREF, in view of financial affordability considerations.

The following table provides a detailed analysis of the Municipality's borrowings.

**Table 33 (Table SA 17 - Detail of borrowings)**

Borrowing - Categorized by type	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Audited Outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Parent municipality</b>									
Long-Term Loans (annuity/reducing balance)	385,472	1,459,787	1,841,851	1,729,021	1,734,172	1,734,172	1,629,013	1,516,045	1,411,952
Local registered stock	1,185								
<b>Total Borrowing</b>	<b>386,657</b>	<b>1,459,787</b>	<b>1,841,851</b>	<b>1,729,021</b>	<b>1,734,172</b>	<b>1,734,172</b>	<b>1,629,013</b>	<b>1,516,045</b>	<b>1,411,952</b>

The following graph illustrates the growth in outstanding borrowing for the 2007/08 to 2013/14 period:

**Figure 6 Growth in outstanding borrowing (long-term liabilities)**

The following table indicates the capital transfers and grant receipts:

**Table 34 (Table SA 18 - Capital transfers and grant receipts)**

Description	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Capital Transfers and Grants</b>						
<b>National Government:</b>	<b>1,222,467</b>	<b>1,234,467</b>	<b>1,234,467</b>	<b>1,015,472</b>	<b>1,059,088</b>	<b>1,293,349</b>
Urban Settlements Development Grant (USDG)	487,467	499,467	499,467	592,870	727,986	845,778
Public Transport and Systems	200,000	200,000	200,000	298,702	228,702	395,571
Neighbourhood Development Partnership	60,000	60,000	60,000	98,900	82,400	32,000
Water Drought Relief	450,000	450,000	450,000			
Integrated National Electrification Programme	25,000	25,000	25,000	15,000	20,000	20,000
Other capital transfers/grants [insert desc]				10,000		
<b>Provincial Government:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other capital transfers/grants [insert description]						
<b>Other grant providers:</b>	<b>24,000</b>	<b>24,000</b>	<b>24,000</b>	<b>235,000</b>	<b>285,000</b>	<b>160,000</b>

Description	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<i>Coega Grant</i>	15,000	15,000	15,000	50,000	100,000	150,000
<i>Bay West Development Grant</i>	9,000	9,000	9,000	185,000	185,000	10,000
Total Capital Transfers and Grants	1,246,467	1,258,467	1,258,467	1,250,472	1,344,088	1,453,349
TOTAL RECEIPTS OF TRANSFERS & GRANTS	2,617,773	2,536,294	2,536,294	2,405,191	2,417,568	2,616,757

### 2.6.3 Cash Flow Management

Cash flow management and forecasting is a critical step in determining whether the budget is funded over the medium-term. The table includes some specific features:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government; and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

**Table 35 (Table A7 - Budget cash flow statement)**

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>									
<b>Receipts</b>									
Ratepayers and other	2,852,209	2,704,202	5,412,124	4,261,084	4,670,097	4,670,097	5,195,141	5,818,140	6,505,725
Government - operating	1,021,115	1,454,743	1,363,358	1,371,306	1,282,407	1,282,407	1,161,771	1,073,480	1,163,408
Government - capital	970,072	993,724	531,295	1,246,467	1,249,768	1,249,768	1,243,420	1,344,088	1,453,571
Interest	258,168	167,543	16,447	21,257	28,000	28,000	25,528	27,059	28,683
Dividends									
<b>Payments</b>									
Suppliers and employees	(3,637,899)	(4,136,060)	(5,933,419)	(4,987,425)	(5,228,429)	(5,228,429)	(5,896,927)	(6,145,599)	(6,714,012)
Finance charges	(82,500)	(145,978)	(177,110)	(208,791)	(213,337)	(213,337)	(200,937)	(189,528)	(178,886)
Transfers and Grants	(36,277)	(99,870)	(296,231)	(86,407)	(89,584)	(89,584)	(90,205)	(95,600)	(101,318)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>1,344,887</b>	<b>938,304</b>	<b>916,465</b>	<b>1,617,491</b>	<b>1,698,921</b>	<b>1,698,921</b>	<b>1,437,790</b>	<b>1,832,040</b>	<b>2,157,171</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>									
<b>Receipts</b>									
Proceeds on disposal of PPE	6		2,250						

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Decrease (Increase) in non-current debtors									
Decrease (increase) other non-current receivables	23,007	31,484	19,096	1,297	1,297	1,297			
Decrease (increase) in non-current investments	10,561								
<b>Payments</b>									
Capital assets	(2,337,225)	(2,333,450)	(1,521,064)	(1,364,466)	(1,292,718)	(1,292,718)	(1,736,256)	(1,677,890)	(1,775,117)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(2,303,651)</b>	<b>(2,301,966)</b>	<b>(1,499,718)</b>	<b>(1,363,169)</b>	<b>(1,291,421)</b>	<b>(1,291,421)</b>	<b>(1,736,256)</b>	<b>(1,677,890)</b>	<b>(1,775,117)</b>

Description	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>										
<b>Receipts</b>										
Short term loans										
Borrowing long term/refinancing		1,165,000	470,000							
Increase (decrease) in consumer deposits	(11,615)			2,515	2,515	2,515	2,515	(3,275)	(1,000)	(1,000)
<b>Payments</b>										
Repayment of borrowing	(56,438)	(51,828)	(88,859)	(92,211)	(92,058)	(92,058)	(92,058)	(97,444)	(105,159)	(112,968)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(68,054)</b>	<b>1,113,172</b>	<b>381,141</b>	<b>(89,696)</b>	<b>(89,543)</b>	<b>(89,543)</b>	<b>(89,543)</b>	<b>(100,719)</b>	<b>(106,159)</b>	<b>(113,968)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>(1,026,818)</b>	<b>(250,490)</b>	<b>(202,112)</b>	<b>164,626</b>	<b>317,957</b>	<b>317,957</b>	<b>317,957</b>	<b>(399,184)</b>	<b>47,992</b>	<b>268,086</b>
Cash/cash equivalents at the year begin:	1,907,077	880,260	629,770	277,992	447,273	447,273	447,273	765,230	366,046	414,038
Cash/cash equivalents at the year end:	880,260	629,770	427,658	442,619	765,230	765,230	765,230	366,046	414,038	682,125

The table reflects that the cash and cash equivalents were largely depleted between the 2007/08 and 2010/11 financial years, decreasing from a positive cash balance of R1,9 billion to a balance of R765,2 million in the 2011/12 Adjustments budget. For the 2012/13 MTREF, the cash and cash equivalents over the medium-term is anticipated to increase from R366 million to R682,1 million in 2014/15.

**Table 36 (Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation)**

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Cash and investments available</b>									
Cash/cash equivalents at the year end	880,260	629,770	427,658	442,619	765,230	765,230	366,046	414,038	682,125
Other current investments > 90 days	0	935	1,127	0	(0)	(0)	(0)	(0)	0
Non current assets - Investments	727	20	20	20	20	20	20	20	20
<b>Cash and investments available:</b>	<b>880,987</b>	<b>630,725</b>	<b>428,805</b>	<b>442,639</b>	<b>765,250</b>	<b>765,250</b>	<b>366,066</b>	<b>414,058</b>	<b>682,145</b>
<b>Application of cash and investments</b>									
Unspent conditional transfers	645,367	206,196	301,712		325,604	325,604	196,018	188,409	205,335
Other working capital requirements	148,666	687,821	107,292	374,740	356,899	356,899	319,924	362,035	400,829
Reserves to be backed by cash/investments	486,640	446,052	593,375	167,349	47,000	47,000	47,000	49,220	51,573
<b>Total Application of cash and investments:</b>	<b>1,280,673</b>	<b>1,340,069</b>	<b>1,002,379</b>	<b>542,089</b>	<b>729,503</b>	<b>729,503</b>	<b>562,942</b>	<b>599,664</b>	<b>657,737</b>
<b>Surplus(shortfall)</b>	<b>(399,686)</b>	<b>(709,344)</b>	<b>(573,574)</b>	<b>(99,450)</b>	<b>35,747</b>	<b>35,747</b>	<b>(196,876)</b>	<b>(185,606)</b>	<b>24,408</b>

The underlying purpose of Table A8 is to reflect the predicted cash and investments that are available at the end of a particular budget year and how these funds were used. A surplus would indicate that sufficient cash and investments was available to meet commitments, whilst a shortfall would indicate inadequate cash and investments was available to meet commitments.

The available cash and investments amount to R366 million in the 2012/13 financial year and increases to R682,1 million in 2014/15. The following is a breakdown of the application of this funding:

- Unspent conditional transfers (grants) – unspent grant funding is anticipated over the 2012/13 MTREF.
- There is no unspent borrowing from previous financial years.
- The main purpose of the other working capital requirements is to ensure that sufficient funds are available to meet commitments as and when they fall due. A key challenge is often the mismatch between the timing of receipts from debtors and payments due to employees and creditors. High levels of non-payment by debtors will result in a greater requirement for working capital, ultimately causing cash flow challenges.

For the purposes of the cash backed reserves and accumulated surplus reconciliation, a provision equivalent to one month's operational expenditure has been provided for. The desired cash levels are, however, two months' operational expenditure in order to ensure the continued liquidity of the Municipality. Any underperformance in relation to debtor collections could place upward pressure on the Municipality's ability to meet its commitments.

- Reserves must be cash backed in order to support the budget. The reserves requiring cash backing, includes the Self Insurance Fund and COID.

It is concluded that the Municipality's cash backed and accumulated surpluses reconciliation reflects shortfalls of R196,9 million and R185,6 million for the 2012/13 and 2013/14 financial years respectively, and moves to surplus of R24,4 million in 2014/15.

It is to be noted that for all practical purposes that the 2010/11 and 2011/12 MTREF was unfunded, when considering the funding requirements of section 18 and 19 of the MFMA.

### 2.6.5 Funding Compliance Measurement

National Treasury requires the Municipality to assess its financial sustainability against the different measures outlined below.

Description	2008/9	2009/10	2010/11	Current Year 2011/12		2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Funding measures</b>								
Cash/cash equivalents at the year end - R'000	880,260	629,770	427,658	442,619	765,230	366,046	414,038	682,125
Cash + investments at the yr end less applications - R'000	(399,686)	(709,344)	(573,574)	(99,450)	35,747	(196,876)	(185,606)	24,408
Cash year end/monthly employee/supplier payments	3.5	1.8	1.1	1.1	1.8	0.8	0.8	1.2
Surplus/(Deficit) excluding depreciation offsets: R'000	952,359	855,369	633,675	999,401	643,524	1,804,584	1,844,475	2,097,631
Service charge rev % change - macro CPIX target exclusive	N.A.	10.8%	13.8%	10.4%	(8.4%)	5.6%	6.45	6.9%
Cash receipts % of Ratepayer & Other revenue	90.3%	73.0%	120.7%	86.1%	88.3%	88.8%	88.8%	88.7%
Debt impairment expense as a % of total billable revenue	6.2%	12.6%	13.9%	6.2%	6.2%	5.0%	5.0%	4.9%
Capital payments % of capital expenditure	83.6%	102.6%	100.2%	100.3%	104.7%	96.3%	100.2%	96.3%
Borrowing receipts % of capital expenditure (excl. transfers)	0.0%	88.5%	46.8%	0.0%	0.0%	0.0%	0.0%	0.0%
Current consumer debtors % change - incr(decr)	N.A.	10.6%	(27.4%)	6.7%	(0.5%)	3.6%	3.7%	3.8%
Long term receivables % change - incr(decr)	N.A.	(14.3%)	(23.7%)	3.3%	0.0%	2.4%	0.0%	0.0%
R&M % of Property Plant & Equipment	5.3%	3.8%	3.5%	3.7%	3.7%	3.7%	3.7%	3.8%
Asset renewal % of capital budget	6.8%	0.0%	17.7%	21.2%	41.6%	65.6%	67.1%	80.5%

Below is a discussion of the different measures.

#### 2.6.5.1 Cash/cash equivalent position

The forecasted cash and cash equivalents for the 2012/13 MTREF amounts to R366 million, R414 million and R682,1 million for the respective financial years.

#### 2.6.5.2 Cash plus investments less application of funds

For the 2012/13 to 2013/14 budgets, the application of funds exceed the available cash and investments by an amount of R196,9 million and R185,6 million respectively. For the 2014/15 budget the available cash and investments exceed the application of funds by R24,4 million.

#### 2.6.5.3 Monthly average payments covered by cash or cash equivalents

The ratio has been declining significantly for the period 2008/09 to 2011/12, moving from 3,5 to 1,8. As part of the 2012/13 MTREF, the cash position causes the ratio to move from 0,8 to 1,2.

#### 2.6.5.4 Surplus/deficit excluding depreciation offsets

For the 2012/13 MTREF the indicative outcome is a surplus of R1,2 billion, R1,2 billion and R1,5 billion. The surplus is made up as follows:

	2012/13	2013/14	2014/15
	R	R	R
Operating Budget Surplus (Deficit)	(320 058)	(121 413)	71 976
Capital Grants (Transfers)	1 490 375	1 344 088	1 453 349
<b>Total</b>	<b>R1 170 316</b>	<b>R1 222 675</b>	<b>R1 525 325</b>



It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective, and therefore the first two measures in the table are critical.

***2.6.5.5 Property Rates/service charge revenue as a percentage increase less macro inflation target***

This is calculated by deducting the maximum macro-economic inflation target (which is currently 3 - 6 %), so as to determine the real increase in revenue. The percentage growth totals 5,6%, 6,4% and 6,9% for the respective financial years of the 2012/13 MTREF. The real increases in revenue is more or less in line with the inflation target figures.

***2.6.5.6 Cash receipts as a percentage of ratepayer and other revenue***

The outcome is 88,8%, 88,8% and 88,7% for each of the respective financial years.

***2.6.5.7 Debt impairment expense as a percentage of billable revenue***

The provision has been set at 5% over the MTREF, in line with the revenue collection trends.

***2.6.5.8 Capital payments percentage of capital expenditure***

The purpose of this measure is to determine whether the timing of payments has been taken into account in forecasting the cash position.

***2.6.5.9 Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)***

No borrowing has been planned for the 2012/13 MTREF.

***2.6.5.10 Transfers/grants revenue as a percentage of Government transfers/grants available***

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. All transfers are included in the budget.

***2.6.5.11 Repairs and maintenance expenditure level***

The expenditure constitutes 3.7% of Property, Plant and Equipment, whilst National Treasury has suggested a 8% level.

***2.6.5.12 Asset renewal/rehabilitation expenditure level***

The expenditure constitutes 65.6% of the capital budget, whilst National Treasury has suggested a 40% level.

## 2.7 EXPENDITURE ON ALLOCATIONS AND GRANT PROGRAMMES

### GRANTS RECEIVED

Description	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>RECEIPTS:</b>						
<b>Operating Transfers and Grants</b>						
<b>National Government:</b>	1,270,578	828,265	828,265	743,672	1,062,088	1,151,651
Local Government Equitable Share	656,653	656,653	656,653	719,226	781,838	841,201
Electricity Demand Side Management	20,000	20,000	20,000			
Finance Management	1,250	1,250	1,250	1,250	1,250	1,250
Water Services Operating Subsidy		600	600			
Public Transport Infrastructure and Systems Grant		140,000	140,000		270,000	300,000
Fuel Levy	419,132	–		–		
Other	173,543	9,762	9,762	23,196	9,000	9,200

Description	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Provincial Government:</b>	100,728	447,481	447,481	405,747	6,092	6,457
Health subsidy	96,228	91,183	91,183			
Housing		350,000	350,000	400,000		
Sports and Recreation	4,500					
Other		6,298	6,298	5,747	6,092	6,457
<b>Other grant providers:</b>	–	2,081	2,081	5,300	5,300	5,300
<i>[insert description]</i>		1,560	1,560	5,300	5,300	5,300
		521	521			
<b>Total Operating Transfers and Grants</b>	1,371,306	1,277,827	1,277,827	1,154,719	1,073,480	1,163,408
<b>Capital Transfers and Grants</b>						
<b>National Government:</b>	1,222,467	1,234,467	1,234,467	1,015,472	1,059,088	1,293,349
Urban Settlements Development Grant	487,467	499,467	499,467	592,870	727,986	845,778
Public Transport Infrastructure and Systems	200,000	200,000	200,000	298,702	228,702	395,571
Neighbourhood Development Partnership	60,000	60,000	60,000	98,900	82,400	32,000
Water Drought Relief Fund	450,000	450,000	450,000			
Integrated National Electrification Programme	25,000	25,000	25,000	15,000	20,000	20,000
Other capital transfers/grants [insert desc]				10,000		
<b>Provincial Government:</b>	–	–	–	–	–	–
Other capital transfers/grants [insert description]						

Description	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Other grant providers:	24,000	24,000	24,000	235,000	285,000	160,000
<i>Coega Grant</i>	15,000	15,000	15,000	50,000	100,000	150,000
<i>Bay West Development Grant</i>	9,000	9,000	9,000	185,000	185,000	10,000
Total Capital Transfers and Grants	1,246,467	1,258,467	1,258,467	1,250,472	1,344,088	1,453,349
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>	<b>2,617,773</b>	<b>2,536,294</b>	<b>2,536,294</b>	<b>2,405,191</b>	<b>2,417,568</b>	<b>2,616,757</b>

## GRANTS EXPENDITURE

Description	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
EXPENDITURE:						
-						
<u>Operating expenditure of Transfers and Grants</u>						
National Government:	1,328,260	768,459	768,459	979,377	1,062,088	1,151,651
Local Government Equitable Share	656,653	656,653	656,653	719,226	781,838	841,201
Electricity Demand Side Management	20,000	58,288	58,288			
Finance Management	1,250	1,250	1,250	1,250	1,250	1,250
Public Transport Infrastructure and Systems Grant		30,000	30,000	234,905	270,000	300,000
Fuel Levy	419,132					
Other	231,225	22,268	22,268	23,996	9,000	9,200
Provincial Government:	106,227	456,398	456,398	405,747	6,092	6,457
Health subsidy	96,228	95,152	95,152			
Housing	5,499	350,000	350,000	400,000		
Library		5,747	5,747	5,747	6,092	6,457
Sports and Recreation	4,500					
Other		5,499	5,499			
District Municipality:	-	-	-	-	-	-
<i>[insert description]</i>						
Other grant providers:	-	12,656	12,656	9,622	5,300	5,300
<i>Other</i>		12,656	12,656	9,622	5,300	5,300
Total operating expenditure of Transfers and Grants:	1,434,487	1,237,513	1,237,513	1,394,746	1,073,480	1,163,408

## GRANTS RECONCILIATION

Description	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b><u>Operating transfers and grants:</u></b>						
<b>National Government:</b>						
Balance unspent at beginning of the year	57,682	174,985	174,985	2,236,815	1,110	1,110
Current year receipts	1,270,578	828,265	828,265	743,672	1,082,088	1,151,651
<b>Conditions met - transferred to revenue</b>	<b>1,328,260</b>	<b>776,455</b>	<b>776,455</b>	<b>2,979,377</b>	<b>1,082,088</b>	<b>1,151,651</b>
Conditions still to be met - transferred to liabilities		226,795	226,795	1,110	1,110	1,110
<b>Provincial Government:</b>						
Balance unspent at beginning of the year	5,499	17,410	17,410	11,360	11,360	11,360
Current year receipts	100,728	447,481	447,481	405,747	6,092	6,457
<b>Conditions met - transferred to revenue</b>	<b>106,227</b>	<b>453,531</b>	<b>453,531</b>	<b>405,747</b>	<b>6,092</b>	<b>6,457</b>
Conditions still to be met - transferred to liabilities		11,360	11,360	11,360	11,360	11,360
<b>Other grant providers:</b>						
Balance unspent at beginning of the year		20,658	20,658	14,900	10,578	10,578
Current year receipts		6,770	6,770	5,300	5,300	5,300
<b>Conditions met - transferred to revenue</b>	<b>-</b>	<b>12,528</b>	<b>12,528</b>	<b>9,622</b>	<b>5,300</b>	<b>5,300</b>
Conditions still to be met - transferred to liabilities		14,900	14,900	10,578	10,578	10,578
<b>Total operating transfers and grants revenue</b>	<b>1,434,487</b>	<b>1,242,514</b>	<b>1,242,514</b>	<b>3,394,746</b>	<b>1,093,480</b>	<b>1,163,408</b>
<b>Total operating transfers and grants - CTBM</b>	<b>-</b>	<b>253,055</b>	<b>253,055</b>	<b>23,048</b>	<b>23,048</b>	<b>23,048</b>
<b><u>Capital transfers and grants:</u></b>						
<b>National Government:</b>						
Balance unspent at beginning of the year		37,908	37,908	241,793	9,065	9,065
Current year receipts	1,222,467	1,234,467	1,234,467	1,015,472	1,059,088	1,293,349
<b>Conditions met - transferred to revenue</b>	<b>1,222,467</b>	<b>1,030,582</b>	<b>1,030,582</b>	<b>1,248,200</b>	<b>1,059,088</b>	<b>1,293,349</b>
Conditions still to be met - transferred to liabilities		241,793	241,793	9,065	9,065	9,065
<b>Other grant providers:</b>						
Balance unspent at beginning of the year	3,000	12,271	12,271	9,271	9,271	9,271
Current year receipts	24,000	24,000	24,000	235,000	285,000	160,000
<b>Conditions met - transferred to revenue</b>	<b>27,000</b>	<b>27,000</b>	<b>27,000</b>	<b>235,000</b>	<b>285,000</b>	<b>160,000</b>
Conditions still to be met - transferred to liabilities		9,271	9,271	9,271	9,271	9,271
<b>Total capital transfers and grants revenue</b>	<b>1,249,467</b>	<b>1,057,582</b>	<b>1,057,582</b>	<b>1,483,200</b>	<b>1,344,088</b>	<b>1,453,349</b>
<b>Total capital transfers and grants - CTBM</b>	<b>-</b>	<b>251,064</b>	<b>251,064</b>	<b>18,336</b>	<b>18,336</b>	<b>18,336</b>
<b>TOTAL TRANSFERS AND GRANTS REVENUE</b>	<b>2,683,954</b>	<b>2,300,096</b>	<b>2,300,096</b>	<b>4,877,946</b>	<b>2,437,568</b>	<b>2,616,757</b>
<b>TOTAL TRANSFERS AND GRANTS - CTBM</b>	<b>-</b>	<b>504,119</b>	<b>504,119</b>	<b>41,384</b>	<b>41,384</b>	<b>41,384</b>

## 2.8 ALLOCATIONS AND GRANTS MADE BY THE MUNICIPALITY

The table below reflects the grants and allocations made by the Municipality. It includes grants-in-aid made in accordance with the Municipality's grants-in-aid policy and transfers to entities and other organisations to primarily support their operational expenditure.

### ALLOCATIONS AND GRANTS MADE BY THE MUNICIPALITY

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Cash Transfers to Entities/Other External Mechanisms</b>									
<i>MBDA</i>	13,620	76,885	19,953	63,092	63,092	63,092	66,878	70,890	75,144
Centenary Hall Promotions Former Entity	129								
Feather Market Promotions - Former Entity	1,188								
<b>Total Cash Transfers To Entities/Ems'</b>	<b>14,937</b>	<b>76,885</b>	<b>19,953</b>	<b>63,092</b>	<b>63,092</b>	<b>63,092</b>	<b>66,878</b>	<b>70,890</b>	<b>75,144</b>
<b>Cash Transfers to Organisations</b>									
<i>Grants in Aid</i>	6,722	6,314	7,117	7,159	7,159	7,159	7,618	8,058	8,523
Grants to Other Organisations	14,618	16,671	15,352	16,155	16,235	16,235	15,709	16,652	17,651
<b>Total Cash Transfers To Organisations</b>	<b>21,340</b>	<b>22,985</b>	<b>22,469</b>	<b>23,315</b>	<b>23,395</b>	<b>23,395</b>	<b>23,328</b>	<b>24,709</b>	<b>26,174</b>
<b>Total Cash Transfers To Groups Of Individuals:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL CASH TRANSFERS AND GRANTS</b>	<b>36,277</b>	<b>99,870</b>	<b>42,422</b>	<b>86,407</b>	<b>86,487</b>	<b>86,487</b>	<b>90,205</b>	<b>95,600</b>	<b>101,318</b>
<b>Groups of Individuals</b>									
<i>Indigent</i>	229,487	264,701	265,134	331,555	284,475	284,475	323,048	366,152	418,203
<b>Total Non-Cash Grants To Groups Of Individuals:</b>	<b>229,487</b>	<b>264,701</b>	<b>265,134</b>	<b>331,555</b>	<b>284,475</b>	<b>284,475</b>	<b>323,048</b>	<b>366,152</b>	<b>418,203</b>
<b>TOTAL NON-CASH TRANSFERS AND GRANTS</b>	<b>229,487</b>	<b>264,701</b>	<b>265,134</b>	<b>331,555</b>	<b>284,475</b>	<b>284,475</b>	<b>323,048</b>	<b>366,152</b>	<b>418,203</b>
<b>TOTAL TRANSFERS AND GRANTS</b>	<b>265,764</b>	<b>364,571</b>	<b>307,556</b>	<b>417,961</b>	<b>370,961</b>	<b>370,961</b>	<b>413,253</b>	<b>461,752</b>	<b>519,521</b>

## 2.9 COUNCILLORS AND BOARD MEMBERS ALLOWANCES AND EMPLOYEE BENEFITS

### COUNCILLORS & BOARD MEMBER ALLOWANCES AND EMPLOYEE BENEFITS

Summary of Employee and Councillor remuneration	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
	A	B	C	D	E	F	G	H	I
<b>Councillors (Political Office Bearers plus Other)</b>									
Basic Salaries and Wages	39,995	43,509	43,671	49,518	49,518	49,518	52,917	58,209	64,612
Cellphone Allowance	1,261	1,376	1,382	1,565	1,565	1,565	1,665	1,832	2,034
<b>Sub Total - Councillors</b>	<b>41,255</b>	<b>44,886</b>	<b>45,053</b>	<b>51,084</b>	<b>51,084</b>	<b>51,084</b>	<b>54,583</b>	<b>60,041</b>	<b>66,645</b>
% increase		8.8%	0.4%	13.4%	-	-	6.8%	10.0%	11.0%
<b>Senior Managers of the Municipality</b>									
Basic Salaries and Wages	10,909	11,404	11,845	17,171	16,069	16,069	19,332	21,122	23,217
Performance Bonus	1,317	1,546	162	1,872	2,114	2,114	2,256	2,476	2,737

Summary of Employee and Councillor remuneration	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Sub Total - Senior Managers of Municipality	12,226	12,950	12,006	19,043	18,183	18,183	21,588	23,599	25,955
% increase		5.9%	(7.3%)	58.6%	(4.5%)	–	18.7%	9.3%	10.0%
<b>Other Municipal Staff</b>									
Basic Salaries and Wages	832,011	992,483	1,092,794	1,292,152	1,269,863	1,269,863	1,323,197	1,450,462	1,611,156
Pension and UIF Contributions	198,819	146,594	167,615	187,825	183,923	183,923	189,387	207,384	228,706
Medical Aid Contributions	63,346	78,130	92,186	98,739	96,683	96,683	97,369	108,056	119,935
Overtime	65,958	87,600	72,264	56,020	65,707	65,707	65,202	69,863	74,966
Performance Bonus	12,351	13,537	16,417	15,487	15,960	15,960	15,590	16,163	16,768
Motor Vehicle Allowance	63,131	43,768	46,308	46,503	50,116	50,116	47,370	47,414	47,463
Summary of Employee and Councillor remuneration	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Housing Allowances	13,971	9,875	8,266	8,700	8,018	8,018	7,447	7,449	7,451
Other benefits and allowances		54,085	75,902	65,761	73,082	73,082	61,859	65,573	69,221
Long service awards	19,057	23,926	26,592	29,205	27,900	27,900	30,241	35,078	41,429
Post-retirement benefit obligations		161,496	277,012	40,134	40,134	40,134	42,346	46,577	51,696
<b>Sub Total - Other Municipal Staff</b>	<b>1,268,644</b>	<b>1,611,494</b>	<b>1,875,355</b>	<b>1,840,526</b>	<b>1,831,386</b>	<b>1,831,386</b>	<b>1,880,008</b>	<b>2,054,019</b>	<b>2,268,793</b>
% increase		27.0%	16.4%	(1.9%)	(0.5%)	–	2.7%	9.3%	10.5%
<b>Total Parent Municipality</b>	<b>1,322,126</b>	<b>1,669,329</b>	<b>1,932,415</b>	<b>1,910,652</b>	<b>1,900,652</b>	<b>1,900,652</b>	<b>1,956,179</b>	<b>2,137,658</b>	<b>2,361,393</b>
		26.3%	15.8%	(1.1%)	(0.5%)	–	2.9%	9.3%	10.5%
<b>TOTAL SALARY, ALLOWANCES &amp; BENEFITS</b>	<b>1,322,126</b>	<b>1,669,329</b>	<b>1,932,415</b>	<b>1,910,652</b>	<b>1,900,652</b>	<b>1,900,652</b>	<b>1,956,179</b>	<b>2,137,658</b>	<b>2,361,393</b>
% increase		26.3%	15.8%	(1.1%)	(0.5%)	–	2.9%	9.3%	10.5%
<b>TOTAL MANAGERS AND STAFF</b>	<b>1,280,871</b>	<b>1,624,444</b>	<b>1,887,362</b>	<b>1,859,569</b>	<b>1,849,569</b>	<b>1,849,569</b>	<b>1,901,596</b>	<b>2,077,617</b>	<b>2,294,747</b>

## DISCLOSURE OF SALARIES, ALLOWANCES & BENEFITS

Disclosure of Salaries, Allowances & Benefits 1.	Salary	Contributions	Allowances	Performance Bonuses	In-kind benefits	Total Package
Rand per annum		1.				2.
<b>Councillors</b>						
Speaker	882,872		20,536			903,408
Chief Whip	827,692		20,536			848,228
Executive Mayor	1,103,589		41,150			1,144,739
Deputy Executive Mayor	882,872		20,536			903,408
Executive Committee	827,692		20,536			848,228
Total for all other councillors	48,392,325		1,542,154			49,934,479

Disclosure of Salaries, Allowances & Benefits 1.	Salary	Contributions	Allowances	Performance Bonuses	In-kind benefits	Total Package
Total Councillors	52,917,042	-	1,665,448			54,582,490
<u>Senior Managers of the Municipality</u>						
Municipal Manager (MM)	1,939,460			462,760		2,402,220
Chief Finance Officer	1,395,550			195,380		1,590,930
Other section 57 Officials	15,434,202			2,160,648		17,594,850
Total Senior Managers of the Municipality	18,769,212	-	-	2,818,788		21,588,000
TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION	56,252,052	-	1,665,448	658,140		58,575,640

## 2.10 MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW

MONTHLY CASH FLOWS	Budget Year 2011/12												Medium Term Revenue and Expenditure Framework		
R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<b>Cash Receipts By Source</b>													1		
Property rates	80,350	80,336	71,384	89,785	77,215	85,297	78,652	80,538	80,399	80,399	80,135	80,361	964,851	1,090,365	1,231,537
Property rates - penalties & collection charges															
Service charges - electricity revenue	233,228	245,802	239,802	241,117	252,739	239,924	190,803	204,883	246,190	231,772	254,138	251,119	2,831,269	3,173,253	3,570,325
Service charges - water revenue	29,826	29,162	29,332	29,224	32,550	36,257	30,283	31,282	30,370	30,469	30,257	29,564	368,546	415,815	473,297
Service charges - sanitation revenue	17,776	17,161	17,540	17,571	17,857	18,801	16,667	18,147	17,769	17,881	17,721	17,779	212,669	239,479	272,051
Service charges - refuse revenue	7,464	7,480	7,404	7,446	7,510	7,531	7,538	7,540	7,537	7,515	7,478	7,534	89,977	101,189	114,801
Service charges - other															
Rental of facilities and equipment	1,600	1,610	1,645	1,700	1,697	1,633	1,659	1,602	1,638	1,675	1,684	1,679	19,820	20,992	22,335
Interest earned - external investments	4,078	3,705	3,020	2,530	2,210	2,280	2,020	1,600	1,310	2,005	1,685	1,585	28,028	29,609	31,283
Interest earned - outstanding debtors															
Dividends received															
Fines	2,314	2,446	2,826	2,889	3,054	2,806	2,814	2,800	2,513	2,580	2,547	2,739	32,328	34,268	36,325
Licences and permits	815	730	800	820	899	846	854	930	560	585	548	628	9,014	9,555	10,129
Agency services	117	117	117	117	117	117	117	117	117	117	117	117	1,400	1,484	1,573
Transfer receipts - operational	267,485	135,959	20,048	4,096	27,338	367,413	35,962	142,929	106,542	23,000	15,000	16,000	1,161,771	1,073,480	1,163,408
Other revenue	152,024	17,506	18,820	16,316	12,423	155,927	11,858	11,659	16,863	219,493	15,950	16,427	665,265	731,739	773,454
<b>Cash Receipts by Source</b>	<b>797,077</b>	<b>542,013</b>	<b>412,489</b>	<b>413,610</b>	<b>435,579</b>	<b>918,832</b>	<b>379,226</b>	<b>504,025</b>	<b>511,808</b>	<b>617,490</b>	<b>427,260</b>	<b>425,531</b>	<b>6,384,940</b>	<b>6,921,229</b>	<b>7,700,417</b>
<b>Other Cash Flows by Source</b>															
Transfer receipts - capital	355,726	134,513	144,263	2,985	164,891	211,918	-	171,849	57,275	-	-		1,243,420	1,344,088	1,453,571
Contributions recognised - capital & Contributed assets															
Proceeds on disposal of PPE															
Short term loans												-			
Borrowing long term/refinancing												-			
Increase (decrease) in consumer deposits	(273)	273)	273)	273)	273)	273)	273)	273)	273)	273)	273)	273)	(3275)	(1000)	(1000)
Decrease (Increase) in non-current debtors															
Decrease (increase) other non-current receivables															
Decrease (increase) in non-current investments															
<b>Total Cash Receipts by Source</b>	<b>1,152,530</b>	<b>676,253</b>	<b>556,480</b>	<b>416,322</b>	<b>600,197</b>	<b>1,130,477</b>	<b>378,954</b>	<b>675,601</b>	<b>568,810</b>	<b>617,217</b>	<b>426,987</b>	<b>425,258</b>	<b>7,625,085</b>	<b>8,264,317</b>	<b>9,152,988</b>
<b>Cash Payments by Type</b>															
Employee related costs	156,331	144,035	145,675	145,815	196,173	147,525	149,060	148,965	149,570	149,825	150,705	167,610	1,851,289	1,989,404	2,170,163
Remuneration of councillors	4,224	4,224	4,224	4,224	4,224	4,224	5,714	4,705	4,705	4,705	4,705	4,704	54,583	60,041	66,645
Collection costs															
Interest paid	40,311	-	28,826		23,670	9,964	40,042	-	27,830	-	23,331	6,963	200,937	189,528	178,886
Bulk purchases - Electricity	240,644	237	309,741	180,108	180,157	177,083	153,368	173,239	118,593	114,013	115,171	379,477	2,141,832	2,440,457	2,781,303



MONTHLY CASH FLOWS	Budget Year 2011/12												Medium Term Revenue and Expenditure Framework		
R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Bulk purchases - Water & Sewer	6,287	5,281	6,102	5,294	7,995	6,694	5,067	8,124	5,994	7,205	7,278	1,318	72,639	81,451	91,225
Other materials	33,700	34,667	30,525	47,840	64,748	49,990	46,764	56,059	35,245	35,245	34,089	27,911	496,783	535,455	577,330
Contracted services	23,454	26,647	34,408	30,780	21,843	30,609	33,003	20,635	44,497	44,497	34,497	34,495	379,367	460,426	500,505
Grants and subsidies paid - other municipalities															
Grants and subsidies paid - other			6,163	1,210	5,103	-	3,290	1,023	-	1,675	-	4,864	23,327	24,710	26,174
General expenses	184,980	61,025	74,387	55,967	72,254	90,794	59,449	78,911	60,545	60,560	60,711	60,643	920,226	597,999	546,727
Cash Payments by Type	689,930	276,116	640,051	471,238	576,167	516,883	495,757	491,662	446,980	417,725	430,487	687,986	6,140,982	6,379,470	6,938,960
Other Cash Flows/Payments by Type															
Capital assets	265,208	82,565	102,308	115,100	101,819	153,611	80,472	93,681	167,883	185,810	183,785	253,628	1,785,873	1,730,484	1,830,867
Repayment of borrowing	12,073		16,738		4,109	15,000	12,342		17,733		4,448	15,000	97,444	105,159	112,968
Other Cash Flows/Payments															
Total Cash Payments by Type	967,212	358,681	759,097	586,338	682,095	685,494	588,572	585,372	632,597	603,536	618,721	956,614	8,024,299	8,215,113	8,882,795
NET INCREASE/(DECREASE) IN CASH HELD	185,318	317,572	(202,617)	(170,016)	(81,898)	444,983	(209,618)	90,259	(63,787)	13,681	(191,734)	(531,356)	(399,214)	49,204	270,193
Cash/cash equivalents at the month/year begin:	780,972	966,290	1,283,862	1,081,245	911,229	829,331	1,274,314	1,064,696	1,154,954	1,091,167	1,104,848	913,114	780,972	381,758	430,962
Cash/cash equivalents at the month/year end:	966,290	1,283,862	1,081,245	911,229	829,331	1,274,314	1,064,696	1,154,954	1,091,167	1,104,848	913,114	381,758	381,758	430,962	701,155

## 2.11 **ANNUAL BUDGETS AND SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLANS –DIRECTORATES**

In terms of section 53 (1)(c)(ii) of the MFMA, the Service Delivery and Budget Implementation Plan (SDBIP) constitutes a detailed plan for implementing the Municipality's delivery of services and its annual budget, which must include the following:

- (a) Monthly projections of
  - Revenue to be collected, by source; and
  - Operational and capital expenditure, by vote.
- (b) Service delivery targets and performance indicators for each quarter.

In accordance with Section 53 of the MFMA, the Executive Mayor is required to approve the SDBIP within 28 days after the approval of the budget. Furthermore, the Executive Mayor must ensure that the revenue and expenditure projections for each month and the service delivery targets and performance indicators, as set out in the SDBIP, are made public within 14 days after the approval of the SDBIP.

The SDBIP gives effect to the IDP and Budget of the Municipality. It includes the service delivery targets and performance indicators for each quarter, which forms the basis for the performance agreements of the Executive Directors. It therefore facilitates oversight over the financial and non-financial performance of the Municipality and allows the Municipal Manager to monitor the performance of the Executive Directors, the Executive Mayor/Council to monitor the performance of the Municipal Manager, and the Community to monitor the performance of the Municipality.

The SDBIP relating to the 2012/13 financial year will be approved by the Executive Mayor during July 2012, following the approval of the Budget.

## 2.12 **CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS**

Below the schedule of contracts impacting on future budgets:

### **Contracts impacting on the Municipality's revenue**

	Description of lease	Start of lease contract	End of lease contract	Escalation %	Period	2011/12	2012/13	2013/14	2014/15
1	Isimilo Investments (PTY) LTD (Beachview, Maitland 487/35 & Maitland Beach)	01-10-04	30-09-44	0	40	240,000	240,000	240,000	240,000
2	Buhlelendalo Properties (PTY) LTD (Van Staden Resorts)	05-08-04	04-08-44	0	40	240,000	240,000	240,000	240,000
3	Logistics Park Lease	01-04-08	31-05-58	0	50	1	1	1	1
4	Rental of Uitenhage Fresh Produce Market	01-09-03	31-08-13	10	10	298,679	328,548	361,403	397,543
						<b>778,680</b>	<b>808,548</b>	<b>841,404</b>	<b>877,544</b>





	Description of lease	Start of lease contract	End of lease contract	Escalation %	Period	2011/12	2012/13	2013/14	2014/15
27	Monthly Rental for Minolco C451 - K040003479 - Water - ETB	01-02-09	31-01-2012	0%	3	17386			
28	Monthly Rental for J040001404 - c550 - I & E - Brister	15-09-08	14-09-2011	0%	3	9362			
29	Monthly Rental for C10 s/n 263000833 - Roads and Stormwater - Struandale – Minolco	01-11-08	31-10-2011	0%	3	1393			
30	Monthly Rental for Konica Minolta- E041005029	01-03-09	29-02-2012	0%	3	14734			
31	Rental of Konica Minolta c253 E041002063	01-03-09	28-02-2012	0%	3	14734			
32	Monthly Rental for COPIER C203, S/N E04003113 - Minolta	01-05-09	30-04-2012	0%	3	17891			
33	Monthly rental of Konica Minolta C353	01-11-08	31-10-2011	0%	3	6663			
34	Monthly rental of Konica Minolta B163	01-10-08	30-09-2011	0%	3				
35	Rental of Office space from Cleary Park office no 93	01-08-05	31-07-2010	9%	5				
36	Rental of Parking Bay - Cleary Park Shopping Centre no 93	01-08-05	31-07-2010	9%	5				
37	Rental of Office space from Unique Mbane(SA) (Pty) LTD	01-05-09	30-04-2012	11%	3	603870			
38	Rental of Konica Minolta B420	01-12-08	30-11-2011	0%	3	8988			
39	Rental Konica Minolta B250	01-08-08	31-07-2011	0%	3	867			
40	Konica Minolta c353	01-04-09	31-03-2012	0%	3	19361			
41	Rental of Konica Minolta C353	01-04-09	31-03-2012	0%	3	19361			
42	Rental of Konica Minolta B163	01-12-08	30-11-2011	0%	3	3143			
43	Konica Photocopier - 7020 Leased from The Rental Company Trust	01-10-05	30-09-2010	0%	3				
44	Panasonic Equipment - DP1820P - leased from Panasonic Business Systems	08-01-07	07-01-2012	0%	5	3006			
45	Rental for B211 Copier S/N Addo Depot from MINOLTA SA	01-12-08	30-11-2011	0%	3	2468			
46	Photocopier - Leased from Minolta SA B211 Copier	01-02-09	31-01-2012	0%	3	2961			

	Description of lease	Start of lease contract	End of lease contract	Escalation %	Period	2011/12	2012/13	2013/14	2014/15
47	Photocopier - Leased from Minolta SA B211 Copier	01-05-09	31-05-2012	0%	3	4474			
48	Rental of AF2016 Copier, S/N K8166621392, Leased From Nashua EC	01-11-06	31-10-2011	15%	5	4282			
49	Rental of B211 Copier, S/N 4104481, Leased From Minolta SA	01-04-08	31-03-2011	0%	3				
50	Premises situated at 66 Caledon Street, Uitenhage leased from JU-THY Eindomme Trust	01-10-09	30-09-2012	10%	3	326681	83570		
51	Property (Buick Street ) - Leased from Eastern Province Livestock Agency	01-09-04	31-07-2014	5%	10	10370	10888	11433	12005
52	Rental of AX1450 Copier, S/N 75054739, Leased From Sharp Electronics	01-01-08	31-12-2010	0%	3				
53	Rental of AR1163 Copier Sharp S/N 75069589	01-05-08	30-04-2011	0%	3				
54	Rental of Xerox 123 Digital Copier With Multi Coin Box, S/N 3551913820 Main Library Leased from Technologies Acceptances (Pty) Ltd	01-08-05	31-07-2010	0%	5				
55	Rental of Xerox 123 Digital Copier With Multi Coin Box, S/N 3551913901	01-08-05	31-07-2010	0%	5				
56	Rental of Xerox 123 Digital Copier With Multi Coin Box, S/N 3551917087	01-08-05	31-07-2010	0%	5				
57	Rental of Xerox M123 Digital Copier With Multi Coin Box, S/N 3551910414	01-08-05	31-07-2010	0%	5				
58	Rental of Xerox M123 Digital Copier With Multi Coin Box, S/N 3551911887	01-08-05	31-07-2010	0%	5				
59	Rental of Xerox M123 Digital Copier With Multi Coin Box, S/N 3551912360	01-08-05	31-07-2010	0%	5				
60	Rental of Xerox M123 Digital Copier With Multi Coin Box, S/N 3551915645	01-08-05	31-07-2010	0%	5				

	Description of lease	Start of lease contract	End of lease contract	Escalation %	Period	2011/12	2012/13	2013/14	2014/15
61	Rental of Xerox M123 Digital Copier With Multi Coin Box, S/N 3551908436 - Walmer Library	01-08-05	31-07-2010	0%	5				
62	Rental of Xerox M123 Digital Copier With Multi Coin Box, S/N 3551952826 - West End Library	01-08-05	31-07-2010	0%	5				
63	Rental of Xerox M123 Digital Copier With Multi Coin Box, S/N 3551913510 - Zwide Library	01-08-05	31-07-2010	0%	5				
64	Rental of Xerox M123 Digital Copier With Multi Coin Box, S/N 3551915823	01-08-05	31-07-2010	0%	5				
65	Rental of Xerox C128 Copier, S/N 3313647365 from Technologies Acceptance (Pty) Ltd	01-12-07	30-11-2010	10%	3				
66	Rental of Xerox C128 Copier, S/N 3313646644, from Technologies Acceptance (Pty) Ltd	01-12-07	30-11-2010	10%	3				
67	Rental of Xerox C128 Copier, S/N 3313644889, from Technologies Acceptance (Pty) Ltd	01-12-07	30-11-2010	10%	3				
68	Rental of Xerox C128 Copier, S/N 3313645095, from Technologies Acceptance (Pty) Ltd	01-12-07	30-11-2010	10%	3				
69	Rental of Xerox C128 Copier, S/N 3313652830, from Technologies Acceptance (Pty) Ltd	01-12-07	30-11-2010	10%	3				
70	Rental of Xerox C128 Copier, S/N 3313650382, from Technologies Acceptance (Pty) Ltd	01-12-07	30-11-2010	10%	3				
71	Rental of Xerox C128 Copier, S/N 3313650447 - Newton Park Library, from Technologies Acceptance (Pty) Ltd	01-12-07	30-11-2010	10%	3				
72	Rental of Xerox C128 Copier, S/N 3313651460 - North End Library, from Technologies Acceptance (Pty) Ltd	01-12-07	30-11-2010	10%	3				

	Description of lease	Start of lease contract	End of lease contract	Escalation %	Period	2011/12	2012/13	2013/14	2014/15
73	Rental of Xerox C128 Copier, S/N 3313654183 - Zwide Library, from Technologies Acceptance (Pty) Ltd	01-12-07	30-11-2010	10%	3				
74	Rental of Xerox C128 Copier, S/N 3313651532, from Technologies Acceptance (Pty) Ltd	01-12-07	30-11-2010	10%	3				
75	Rental of Office Space from Africorp International (Kwantu Towers 3rd + 4th Floors)	01-04-06	31-03-2009	10%	3				
76	Standard Bank Ltd								
						5709520	3558087	1553582	1,705,749

## 2.13 LEGISLATION COMPLIANCE STATUS

Below a discussion of the Municipality's progress relating to the implementation of the MFMA:

### Implementation of the MFMA

The municipality has been implementing the provisions of the MFMA in accordance with a documented Implementation Plan. The municipality monitors its implementation status on an ongoing basis through reporting via its Committees, including the following:

- The Municipal Manager's Management Team includes all Executive Directors, which meets fortnightly and attends to MFMA issues requiring attention.
- The Budget and Treasury Committee – a standing committee of the Council, which meets every six weeks. The committee considers specific MFMA implementation issues and reports via the Mayoral Committee to Council.
- Meetings between the Municipal Manager, COO and Acting CFO to discuss MFMA implementation issues, as and when necessary. Issues requiring attention are monitored so that actions are taken to ensure compliance.

The following reflects the status of implementation of some of the key MFMA areas:

### IDP

The IDP review process has been concluded. A draft revised 2012/13 IDP has been developed, which will be considered for approval at a Council meeting to be held on 29 March 2012. The IDP includes specific deliverables that forms the basis for the Budget and SDBIP.



### Budget

The annual budget document has been developed taking the MFMA and National Treasury (NT) requirements into account. Budgets are being tabled and approved within the required legislated timeframes.

### Annual Report

The Annual Report has been developed taking the MFMA and NT requirements into account. The 2010/11 Annual Report was tabled in January 2012.

### Oversight Report

The Municipal Public Accounts Committee is considering the 2010/11 annual report. Its Oversight Report will be considered for adoption at a Council meeting to be held on 29 March 2012.

### In-Year Reporting

The municipality submits the various reports required to the Executive Mayor, Council, and NT on an ongoing basis, in accordance with the MFMA.

### Supply Chain Management Policy (SCM)

A Supply Chain Management Policy has been adopted and implemented in accordance with the MFMA and NT requirements.

All the required committee structures are in place. Whilst the municipality is working at making these new processes operate more efficiently and effectively, it is considered that the municipality is currently complying with the MFMA and NT guidelines.

### Budget and Treasury

A Budget and Treasury Office has been established in accordance with the MFMA and NT requirements, consisting of an Acting CFO and municipal officials reporting to the Acting CFO.

### Audit Committee

An Audit Committee has been established and meets on a quarterly basis.

### Internal Audit Function

The Municipality has an Internal Audit sub-directorate reporting to the Chief Operating Officer and operating in accordance with an audit plan.

In relation to the 2012/13 financial year and beyond, the municipality plans to focus on the following high priority areas:

- Maintaining the unqualified audit opinion expressed by the Auditor-General (AG) in relation to the 2010/11 Financial Statements. An action plan has been developed to address any shortcomings. Implementation of the plan is monitored by the Municipal Manager in the first instance.
- Further strengthening of the integration and linkages between the IDP, Budget, SDBIP and Annual Report.

#### Internship Programme

The Municipality currently has two Interns on the Municipal Financial Management Internship programme, as approved by National Treasury. All but one of the Municipality's previous Interns, have been appointed in permanent positions within the Municipality. The Interns undergo training in various sections of the Budget and Treasury Directorate and monthly meetings are held to assess their progress and to discuss their future assignments. All Interns have completed the National Treasury MFMA Learnership programme.

#### **2.14 CAPITAL EXPENDITURE DETAILS**

A summary of the budgeted capital expenditure is reflected in Annexure "A".

#### **2.15 ACTING MUNICIPAL MANAGER'S QUALITY CERTIFICATION**

##### Quality Certificate

**I, THEMBA HANI, Acting Municipal Manager of Nelson Mandela Bay Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the Municipality**

**Print Name:               THEMBA HANI**

**Acting Municipal Manager of Nelson Mandela Bay Municipality (EC000)**

**Signature** \_\_\_\_\_

**Date** \_\_\_\_\_